

REPORT ON STATEWIDE FINANCIAL MANAGEMENT AND COMPLIANCE

FOR THE QUARTER ENDED DECEMBER 31, 2007



OFFICE OF THE COMPTROLLER

DEPARTMENT OF ACCOUNTS

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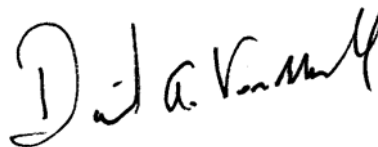
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STATEMENT OF PURPOSE

The *Code of Virginia* requires that the Department of Accounts (DOA) monitor and account for all transactions involving public funds. In order to carry out this mandate, the Department uses a variety of measures, including automated controls, statistical analyses, pre-audits and post-audits, staff studies and reviews of reports issued by the Auditor of Public Accounts. When taken as a whole, these measures provide an important source of information on the degree of agency compliance with Commonwealth accounting and financial management policies, internal controls, procedures, regulations, and best practices.

The Comptroller's *Report on Statewide Financial Management and Compliance* (the *Quarterly Report*) is a summary of measures used by DOA to monitor transactions involving public funds and report findings to the Governor, his Cabinet, and other senior State officials. The *Quarterly Report* uses exception reporting and summary statistics to highlight key findings and trends. The Department also provides additional detailed financial management statistics for agencies and institutions of higher education.

This *Quarterly Report* includes information for the quarter ended December 31, 2007, and comparative FY 2006 data. Some information in the report is for the quarter ended September 30, 2007, which is the most current data available.



David A. Von Moll, CPA, CGFM
Comptroller



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

COMPLIANCE

Auditor of Public Accounts Reports - Executive Branch Agencies

Agency audit reports issued by the Auditor of Public Accounts (APA) may contain findings because of noncompliance with state laws and regulations. Agencies may also have internal control findings considered to be control deficiencies. Control deficiencies occur when the design or operation of internal control does not allow management or employees to prevent or detect errors that, in the Auditor's judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions of management.

Each agency must provide a written response that includes a Corrective Action Workplan (CAW) to the Department of Planning and Budget, the Department of Accounts, and the agency's Cabinet Secretary when its audit report contains one or more audit findings. Workplans must be submitted within 30 days of receiving the audit report. Commonwealth Accounting Policies and Procedures (CAPP) manual, Topic 10205, *Agency Response to APA Audit*, contains instructions and guidance on preparing the workplan.

The APA also reports risk alerts and efficiency issues. Risk alerts address issues for which the corrective action is beyond the capacity of the agency management to address. Efficiency issues identify agency practices, processes or procedures which the auditors believe agency management should consider to improve efficiency. Risk alerts and efficiency issues are summarized following the Findings section.

The APA also issued several Special Reports during the quarter. These reports are listed following the Efficiency Issues section. The full text of these reports is available at www.apa.virginia.gov.

Audit Reports – Quarter Ended December 31, 2007

The APA issued 16 separate reports covering 34 agencies, offices, boards, commissions, colleges and universities for the Executive Branch listed on the following table. All of the reports were for FY 2007. The last column indicates whether the CAW had been received as of the date of this publication for each agency with audit findings. Note that in some cases, the CAW has not been received because it is not yet due.

| | New Findings | Repeat Findings | Total Findings | CAW Received |
|---|--------------|-----------------|----------------|--------------|
| Administration | | | | |
| Secretary of Administration (1) | 0 | 0 | 0 | N/A |
| Division of Selected Agency Support Service (2) | 0 | 0 | 0 | N/A |
| Agriculture and Forestry | | | | |
| Secretary of Agriculture and Forestry (1) | 0 | 0 | 0 | N/A |

| | New Findings | Repeat Findings | Total Findings | CAW Received |
|--|--------------|-----------------|----------------|--------------|
| Commerce and Trade | | | | |
| Secretary of Commerce and Trade (1) | 0 | 0 | 0 | N/A |
| Virginia Economic Development Partnership | 0 | 0 | 0 | N/A |
| Virginia Racing Commission (3)(4) | 0 | 1 | 1 | YES |
| Education | | | | |
| Secretary of Education (1) | 0 | 0 | 0 | N/A |
| Department of Education including Direct Aid to Public Education (5) | 2 | 0 | 2 | YES |
| University of Virginia – Academic Division | 3 | 0 | 3 | Not Due |
| University of Virginia Medical Center | 0 | 0 | 0 | N/A |
| Virginia Commonwealth University | 2 | 0 | 2 | YES |
| Virginia Polytechnic Institute and State University | 0 | 0 | 0 | N/A |
| Virginia School for the Deaf and Blind at Staunton (5) | 0 | 1 | 1 | YES |
| Virginia School for the Deaf Blind and Multi-Disabled at Hampton (5) | 0 | 1 | 1 | YES |
| Executive Offices | | | | |
| Office of the Attorney General and the Department of Law and the Division of Debt Collection | 0 | 1 | 1 | Not Due |
| Office of the Governor | 0 | 0 | 0 | N/A |
| Office of the Lieutenant Governor | 0 | 0 | 0 | N/A |
| Secretary of the Commonwealth (2) | 0 | 0 | 0 | N/A |
| Office for Substance Abuse Prevention (2) | 0 | 0 | 0 | N/A |
| Office of Commonwealth Preparedness (2) | 0 | 0 | 0 | N/A |
| Interstate Organization Contributions (2) | 0 | 0 | 0 | N/A |
| Virginia-Israel Advisory Board (2) | 0 | 0 | 0 | N/A |
| Citizen's Advisory Committee (2) | 0 | 0 | 0 | N/A |
| Finance | | | | |
| Secretary of Finance (1) | 0 | 0 | 0 | N/A |
| Health and Human Resources | | | | |
| Secretary of Health and Human Resources (1) | 0 | 0 | 0 | N/A |
| Office of Comprehensive Services for At-Risk Youth and Families | 0 | 0 | 0 | N/A |
| Natural Resources | | | | |
| Secretary of Natural Resources (1) | 0 | 0 | 0 | N/A |

| | New Findings | Repeat Findings | Total Findings | CAW Received |
|--|--------------|-----------------|----------------|--------------|
| Public Safety | | | | |
| Secretary of Public Safety (1) | 0 | 0 | 0 | N/A |
| Department of Alcoholic Beverage Control (3) | 0 | 0 | 0 | N/A |
| Department of State Police | 0 | 6 | 6 | YES |
| Technology | | | | |
| Secretary of Technology (1) | 0 | 0 | 0 | N/A |
| Transportation | | | | |
| Secretary of Transportation (1) | 0 | 0 | 0 | N/A |
| Virginia Port Authority | 0 | 0 | 0 | N/A |

- (1) The Governor's Cabinet Secretaries report included the ten secretaries.
- (2) The audits of these seven entities were released in one report.
- (3) This agency has a risk alert which is further described in the *Risk Alerts* section of this report.
- (4) This agency has an Efficiency Issue which is further described in the *Efficiency Issues* section of this report.
- (5) The audits of these three agencies were released in one report.



Findings – Quarter Ended December 31, 2007

The following agencies had one or more findings contained in the audit report. Short titles assigned by APA are used to describe the finding, along with a brief summarization of the comments. The audit reports contain the full description of each finding.

Commerce and Trade

Virginia Racing Commission

1. Comply With the Commonwealth's Security Standard. **This is a repeated finding, and progress has been made towards resolution.** The VRC information security program does not meet the VITA security standard ITRM Standard SEC 501 (formerly SEC2001-01.1). The Commission depends on VITA to maintain their internal operating system. During 2007, the VRC has hired a consultant, contracted through VITA, to help bring the security program into compliance. The VRC has made progress; however, components such as a training program, business impact analysis, and risk assessment are lacking needed details.

Education

Department of Education

1. Update and Revise Risk Assessment Plan. Education's Plan is over five years old and leaves sensitive systems vulnerable. The Plan is not in compliance with the Commonwealth's Standard.
2. Revise and Document Year-end Closing Procedures. Education failed to correct a batch coding error at year-end in their internal accounting system and initially provided incorrect information to DOA for inclusion in the Annual Report.

University of Virginia – Academic Division

1. Close Out Capital Projects Promptly. The University's Facilities Planning and Construction Division does not promptly close out capital projects after their completion, and several projects date back as far as 1999. The Higher Education Capital Outlay Manual requires the Project Manager to complete a Capital Outlay Form 14 to officially close out a project promptly after submitting the Certificate of Completion.
2. Properly Complete Employment Eligibility Verification Forms. University employees and supervisors are not properly completing Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the U. S. Department of Homeland Security. Of the 18 forms examined, 15 contained one or more errors.
3. Return Title IV Funds Timely. The University's Financial Services Division performed the calculation for Title IV refunds accurately, but did not return federal funds to the federal Department of Education in a timely manner. Federal regulations require colleges to return unearned Title IV funds no later than 45 days after the college determines the student withdrew. The APA review of 20 students found Student Financial Services had not returned funds for three students 76 to 95 days after the student's withdrawal from classes. In addition, Student Financial Services had not performed the Title IV calculation for three students within 45 days of the student's withdrawal, however, there were no funds requiring return.

Virginia Commonwealth University

1. Clear Cash Reconciling Items Timely. The University's General Accounting Department needs to improve the process for matching reconciling items between the Banner accounting system and the bank each month. As of November 2007, the auditors noted that almost 4,000 items remained unmatched for the Master Concentration Account reconciliation for June 2007.
2. Improve Employment Eligibility Verification Process. The University is not properly completing Employment Eligibility Verification Forms (I-9) in accordance with guidance issued by the U. S. Citizenship and Immigration Services of the Department of Homeland Security.

Virginia School for the Deaf and Blind at Staunton

1. Strengthen Internal Controls over CARS Access. **This is a repeated finding.** An employee had entered and approved the same batch in CARS on 77 separate occasions during FY 2007. The FY 2006 report cited 82 separate occasions where an employee had entered and approved the same batch in CARS.

Virginia School for the Deaf, Blind and Multi-Disabled at Hampton

1. Strengthen Internal Controls over CARS Access. **This is a repeated finding.** Employees had both entered and approved the same batch in CARS on 50 separate occasions during FY 2007. The FY 2006 report cited 27 separate occasions where an employee had entered and approved the same batch in CARS.

Executive Offices

Office of the Attorney General and the Department of Law and the Division of Debt Collection

1. Finalize Information Security Program. **This is a repeated finding, and significant progress has been made towards resolution.** The Office has made significant progress since the previous audit, improving its information security plan, and needs to finalize its completion. The current plan does not fully comply with the Virginia Information Technology security standard, SEC501, and the Office should improve its documentation of the Risk Assessment, Business Impact Analysis, Continuity of Operations Plan, and Disaster Recovery Plan. A finalized security program ensures the Office has a plan to effectively respond to emergencies and the proper controls to protect data.

Public Safety

Department of State Police

1. Information Technology Strategic Planning. **This is a repeated finding, and limited progress has been made towards resolution.** The DSP Strategic Plan has focused on a short-term list of projects as opposed to a long-range plan for the future. In addition, there are some areas or business processes that could be improved with the creation or modernization of new systems, but these areas were not part of the current strategic plan. Further, the information technology projects are not prioritized.
2. Payroll. **This is a repeated finding, and progress has been made towards resolution.** Effective July 1, 2006, DSP transferred payroll processing to the DOA Payroll Service Bureau. While the Service Bureau process payroll, DSP retains responsibility for ensuring timesheet accuracy and certifying payroll. DSP has made progress, and it needs to continue improving this area. In addition, 19 out of 20 I-9 forms were incorrectly completed. U. S. Homeland Security regulates the process for completing the I-9 forms.

3. Travel. **This is a repeated finding, and progress has been made towards resolution.** One of 16 travel reimbursements did not comply with meal reimbursement guidelines. APA noted improvement in compliance, but recommends continuing careful review of travel vouchers.
4. Petty Cash and Charge Cards. **This is a repeated finding, and progress has been made towards resolution.** DSP eliminated all petty cash funds except seized assets and the cafeteria effective May 1, 2007. The DSP increased the usage of the small purchase charge card and issued new procedures regarding this process change. While the new procedures appear to improve the process, the Finance Department did not date stamp any SP299 forms sent in for small purchase charge card transactions between May 16 and June 15, 2007. As a result, the APA was unable to determine if they forms were received within five business days.
5. Fleet Management. **This is a repeated finding, and limited progress has been made towards resolution.** DSP has adopted new procedures effective February 2007; however, they had not addressed all of the recommendations from a previous fleet management review done in 2004. DSP does not have a system that provides an efficient and accurate method to track vehicle care and maintenance.
6. System Access. **This is a repeated finding, and progress has been made towards resolution.** APA tested access controls over the virtual private network, Commonwealth's payroll system, and CARS. DSP still does not have adequate controls over access to the various systems which can allow unauthorized users to gain access.



Risk Alerts - Quarter Ended December 31, 2007

The APA encounters issues, which are reported as risk alerts, that are beyond the corrective action of management and require the action of either another agency, outside party, or a change in the method by which the Commonwealth conducts its operations. The following agencies were identified as having risk alerts:

1. Virginia Racing Commission:

Improve Service Arrangements between Agencies. APA continues to advocate that smaller agencies use larger agencies for business functions, such as accounting, budgeting, information security, or personnel resources. Smaller agencies do not have resources to adequately process financial transactions, personnel and payroll, procurement, and other administrative processes, while at the same time maintain adequate segregation of functions to provide basic internal controls and management oversight of public resources. The APA recommends that the Secretaries of Administration, Finance, and Technology should work with the Departments of Accounts, General Services, Planning and Budget, Human Resources Management, and VITA to develop and implement an administrative agreement for all back office operations, including information security, management oversight, and internal controls, to provide these functions to agencies that need them.

2. Department of Alcoholic Beverage Control:

This agency has provided the Virginia Information Technologies Agency (VITA) with all the required documentation to assess the adequacy of security. However, VITA has not been able to provide the agency with assurance that VITA can provide hardware and software configurations that satisfy security requirements. In addition, a special audit of the Information Technology Partnership (IT Partnership) between VITA and Northrop Grumman indicated the IT Partnership staff did not have a formal, documented infrastructure change control process.

Efficiency Issues – Quarter Ended December 31, 2007

During the course of its audits, the APA observes agency practices, processes, or procedures that management should consider for review to either improve efficiency, reduce risk, increase accuracy, or otherwise enhance their operations. These matters, which are reported as efficiency issues, do not require management's immediate action and may require the investment of resources to provide long-term benefit. The following efficiency issues were identified:

1. During the audit of the Secretaries, several budgetary transparency issues, which primarily relate to the Secretary of Commerce and Trade, were noted. The Secretary's Office receives transfers from the General Fund which are earmarked for various economic development activities, in accordance with requirements in the Appropriation Act. These transfers are shown as transfers out of the General Fund into non-general funds. This action makes it difficult to follow the action of the Governor and General Assembly from the approved budget to the accounting reports. In addition, there is a loss of transparency at the program level since the General Fund originally showed the funds as supporting economic development programs. After transfer, the accounting system shows the disbursement of the funds as administrative expenses.
2. See the Virginia Racing Commission Risk Alert above.

Special Reports – Quarter Ended December 31, 2007

The APA issued the following Special Reports for the quarter. The full text of these reports is available at www.apa.virginia.gov.

1. Quarterly Report Summary to the Joint Legislative Audit and Review Commission – July 1, 2007 through September 30, 2007
2. General Assembly and Legislative Agencies and Commissions of the Commonwealth of Virginia, Financial Report, for the year ended June 30, 2007.
3. Statewide Review of Fleet Management, October 2007.
4. Federal Land Payments for the Period October 1, 2006 through September 30, 2007.
5. Report on the City of Norfolk's Department of Human Services, November 2007
6. Virginia Circuit Courts Report on Audits during the period July 1, 2006, through June 30, 2007
7. Information Technology Governance, December 2007.

Other Audit Reports Received – Quarter Ended December 31, 2007

The APA also issued the following reports for the quarter. The full text of these reports is available at www.apa.virginia.gov.

1. Revenue Stabilization Fund Calculations for the year ended June 30, 2007.
2. Virginia Commercial Space Flight Authority for the year ended June 30, 2007.
3. Virginia Biotechnology Research Park Authority for the year ended June 30, 2007.
4. Tobacco Indemnification and Community Revitalization Commission Financial Statements, for the year ended June 30, 2007.
5. The Innovative Technology Authority Including its Blended Component Unit Center for Innovative Technology for the year ended June 30, 2007.
6. Virginia College Savings Plan for the year ended June 30, 2007.
7. Statewide Circuit Courts for the year ended June 30, 2007.
8. Virginia Retirement System for the year ended June 30, 2007.



Status of Prior Audit Findings

The policy governing the Agency Response to APA Audits requires follow-up reports on agency workplans every 90 days until control findings are certified by the agency head as corrected. The status of corrective action information reported by agencies under this policy is included in this report.

It is important to note that the status reported is self-reported by the agencies and will be subject to subsequent review and audit.

Status Report on Resolution of APA Audit Findings

As of December 31, 2007

| Latest Audit Year | Finding Number | Title of APA Audit Finding | Current Status as Reported by Agency | Status Summary |
|--|---------------------------|---|---|---------------------------|
| <u>Department of General Services</u> | | | | |
| 2006 | 06-01 | Improve documentation and internal controls over fiscal operations. | DGS is preparing a risk assessment of the Fiscal Services Section in conjunction with ARMICS. | In progress |
| | 06-03 | Develop and implement policies and procedures for the surplus warehouses. | Standard operating procedures are complete for the receipt, storage, sale, and disposal of surplus items. Other procedures are being developed by Warehouse management. | In progress |
| | 06-04 | Include mandated procedures in the surplus property manual. | Mandated procedures, including ARMICS requirements, will be incorporated in the written procedures. | In progress |
| | 06-05 | Increase awareness and use of the surplus property and disposal process. | New web pages and the internet sales program are complete and active on the DGS home page. Surplus is continuing research into transportation pick up service. | In progress |
| | 06-06 | Finalize and distribute real estate policies and procedures. | Real Estate Services is revising their policies and procedures in conjunction with ARMICS work. | In progress |
| | 06-07 | Improve internal controls over appointment of contract administrator. | DGS has subsequently issued two contract letters, and is reviewing internal controls in connection with ARMICS work. | In progress |
| | 06-09 | Improve internal controls over special payouts to terminated employees. | DGS is re-evaluating its internal controls in connection with ARMICS work. DGS recovered the overpayment from the terminated employee. | In progress |

Status Report on Resolution of APA Audit Findings

As of December 31, 2007

| Latest Audit Year | Finding Number | Title of APA Audit Finding | Current Status as Reported by Agency | Status Summary |
|--|-------------------|--|---|-------------------|
| <u>Norfolk State University</u> | | | | |
| 2006 | 06-01 | Follow the University's systems change management procedures. | Management will ensure records and approvals are documented as required by best practices. | In progress |
| | 06-02 | Strengthen controls over capital project management. | Corrective action underway. NSU has hired a Procurement Officer. A central file is being kept. Formal policies and procedures are being developed. | In progress |
| | 06-03 | Complete biennial equipment inventories. | Corrective action underway. NSU will revise inventory policies and procedures to eliminate inadequacies. | In progress |
| | 06-04 | Develop formal capital asset accounting policies and procedures. | Written policies and procedures will be developed assigning useful lives or salvage value to fixed assets, impaired assets and capitol outlays. | In progress |
| <u>The Virginia Community College System Central Office</u> | | | | |
| 2006 | 06-01 | Improve risk management and contingency plans. | An updated Information Security Program has been prepared and is undergoing additional development. | In progress |
| <u>Rappahannock Community College</u> | | | | |
| 2006 | 06-01 | Comply with the Commonwealth's Security Standard SEC501, SEC 2001, and VCCS Standards. | The College has purchased an on-line training program. The President has approved the Risk Assessment, Impact Analysis, Continuity and Disaster Recovery Plans. | In progress |
| <u>Danville Community College</u> | | | | |
| 2006 | 06-01 | Comply with the Commonwealth's Security Standard, SEC 2001, and VCCS Standards. | The College is using the MOAT security awareness training system. Policies and procedures will be addressed in the second SEC 501 compliance filing. | In progress |

Status Report on Resolution of APA Audit Findings

As of December 31, 2007

| Latest Audit Year | Finding Number | Title of APA Audit Finding | Current Status as Reported by Agency | Status Summary |
|--|-------------------|---|--|-------------------|
| <u>Eastern Shore Community College</u> | | | | |
| 2006 | 06-01 | Comply with the Commonwealth's Security Standard, SEC 2001, and VCCS Standards. | The College is evaluating products and methods to improve the current system. | In progress |
| <u>Wytheville Community College</u> | | | | |
| 2006 | 06-01 | Comply with the Commonwealth's Security Standard, SEC 2001, and VCCS Standards. | The College is using the MOAT security awareness training system. Policies and procedures will be addressed in the second SEC 501 compliance filing. | In progress |
| <u>Central Virginia Community College</u> | | | | |
| 2006 | 06-03 | Properly calculate Title IV refunds and return funds timely. | The Financial Aid Officer will use functionality provided by U. S. DOE software and PeopleSoft to check calculations and refunds. | In progress |
| | 06-04 | Formalize policies and procedures and improve internal controls over student financial aid. | Written policies and procedures covering Student Information System/PeopleSoft have been developed and are being reviewed. | In progress |
| <u>Thomas Nelson Community College</u> | | | | |
| 2006 | 06-01 | Retain required documentation for Small Purchase Charge Cards. | The College is providing annual training on the use of the cards. Staff has made several site visits to survey different document filing systems. New filing procedures have been implemented. | In progress |
| | 06-02 | Improve accounts receivable reporting. | All receivables are now included in quarterly reports. Accounts are being aged to assist in valuing an allowance for doubtful accounts. | In progress |

Status Report on Resolution of APA Audit Findings

As of December 31, 2007

| Latest Audit Year | Finding Number | Title of APA Audit Finding | Current Status as Reported by Agency | Status Summary |
|---|----------------|--|--|----------------|
| <u>Virginia Highlands Community College</u> | | | | |
| 2006 | 06-01 | Report payment data to NSLDS timely. | Cross training to ensure reports are made timely has been implemented. Several additional reviews have been added to the process. | In progress |
| <u>Department of Mental Health, Mental Retardation, and Substance Abuse Services</u> | | | | |
| 2006 | 06-01 | Strengthen monitoring of the community service boards. | Each office responsible for monitoring is submitting its procedures to the Office of Budget and Financial Reporting for consolidation and final written procedures produced. | In progress |
| | 06-02 | Expand security awareness training programs. | Training has been developed and is being put in place. | In progress |
| | 06-03 | Institute inventory controls for community resource pharmacy. | A pharmacy module which includes inventory monitoring and controls is being installed as a part of electronic health records beginning in FY 2008. | In progress |
| | 06-04 | Strengthen controls over capital asset useful life. | The Department is developing procedures to comply with GASB 34 reporting standards. | In progress |
| <u>Department of Juvenile Justice</u> | | | | |
| 2006 | 06-01 | Improve separation of duties over CARS. | The Accounting Manager is issuing new segregation of duties procedures for all fiscal staff. | In progress |
| | 06-02 | Update leave activity in CIPPS timely. | Leave balances were loaded prior to July 1. Ongoing monthly verification is underway. | In progress |
| | 06-03 | Strengthen controls over capital project procurement and capitalization. | The Department is producing updated policies and procedures to insure files contain required information. | In progress |
| | 06-04 | Improve controls over Anthem contract. | A contract Project Monitor has been assigned to the Anthem contract. | In progress |

Status Report on Resolution of APA Audit Findings

As of December 31, 2007

| Latest Audit Year | Finding Number | Title of APA Audit Finding | Current Status as Reported by Agency | Status Summary |
|---|-----------------------|--|--|-----------------------|
| 2005 | 05-01 | Improve controls over procurement records and contract administration. | See 06-03 and 06-04. | In progress |
| <u>Department of Forestry</u> | | | | |
| 2006 | 06-01 | Strengthen internal controls over capital asset useful life methodologies. | Corrective action underway. Forestry is assigning useful lives based on agency practices and is examining currently assigned useful lives and making adjustments as necessary. | In progress |
| <u>Department of Education</u> | | | | |
| 2006 | 06-01 | Enhance documentation and internal controls over SOQ model. | Corrective action underway. DOE is assessing the risk over the Standards of Quality application. | In progress |
| <u>Department of Taxation</u> | | | | |
| 2006 | 06-01 | Establish procedures for review of router policies. | The Department continues to work with VITA to meet the information security requirements. | In progress |
| <u>Department of Planning and Budget</u> | | | | |
| 2006 | 06-01 | Complete an information security program. | DPB plans to purchase an online security package, make training mandatory for all employees and ensure that new employees are trained within 30 days of employment. | In progress |
| | 06-02 | This is a repeated point. Improve documentation for appropriation adjustments. | DPB will provide mandatory training for all budget analysts. | In progress |
| | 05-02 | Improve documentation for appropriation adjustments. | See 06-02. | In progress |
| | 06-03 | Provide assurance of infrastructure security. | DPB is working with VITA to develop an agreement to provide a level of security that will meet the appropriate standards. | In progress |

Status Report on Resolution of APA Audit Findings

As of December 31, 2007

| Latest Audit Year | Finding Number | Title of APA Audit Finding | Current Status as Reported by Agency | Status Summary |
|--|-------------------|--|---|-------------------|
| <u>Virginia Port Authority</u> | | | | |
| 2006 | 06-01 | Update Information Technology policies and procedures. | The finding was not repeated. | Completed |
| <u>Virginia Retirement System</u> | | | | |
| 2007 | 06-01 | Update business impact analysis and risk assessment. | The finding was not repeated. | Completed |
| <u>Virginia Commonwealth University</u> | | | | |
| 2007 | 07-01 | Clear cash reconciling items timely. | The General Accounting Department is working to improve the reconciliation process in Banner. | In progress |
| | 06-02 | Departments should resolve cash reconciliation items timely. | See 07-01. | In progress |
| | 07-02 | Improve employment eligibility verification process. | An annual training on legal aspects of hiring has been implemented. A formal Personnel Administrator program is being created. | In progress |
| | 06-01 | Improve the procedures for Small Purchase Charge Cards. | The finding was not repeated. | Completed |
| | 06-03 | Ensure timely utility payments. | The finding was not repeated. | Completed |
| <u>Christopher Newport University</u> | | | | |
| 2006 | 06-01 | Improve password management policies. | The University Technology Committee is evaluating the systems' risks and formulating password policies to meet the risks and data security standards. | In progress |

Status Report on Resolution of APA Audit Findings

As of December 31, 2007

| Latest Audit Year | Finding Number | Title of APA Audit Finding | Current Status as Reported by Agency | Status Summary |
|--|----------------|---|---|----------------|
| <u>University of Mary Washington</u> | | | | |
| 2006 | 06-01 | This is a repeated point. Develop policies and procedures. | The University is developing several procedures and implementing ARMICS stages 1 and 2. | In progress |
| | 05-01 | Prepare written policies and procedures. | See 06-01. | In progress |
| | 06-02 | Strengthen physical and environmental controls for critical information technology equipment. | Improvements to ensure proper maintenance of room temperature and back up generators at the CGPS server room are on the current year's pending project list, and funding was included in the 2008 budget. UMW is awaiting delivery of the generators. | In progress |
| | 06-03 | Complete and update the Continuity of Operations Plan. | The University received the final copy of the University's Continuity of Operations Plan from Beck Disaster Recovery, Inc. The plan has been tested and approved by management and is awaiting Board approval. | In progress |
| <u>Virginia Employment Commission</u> | | | | |
| 2006 | 06-01 | Develop information security program. | A team of IT, Security and business staff updated the Security Program that meets the VITA IT Security Audit Standard. | Completed |
| | 06-03 | Follow established procedures for Field Office payment logs. | The Chief of Benefits and Regional Director audited the Fredericksburg office. Further audits are scheduled. | In progress |
| | 06-04 | This is a repeated point. Continue efforts to improve participant data entered into VWNIS. | The installation of the VWNIS replacement system was completed on November 13, 2007. | Completed |
| | 05-03 | Hold localities liable for participant data entered in the Workforce Network. | See 06-04. | Completed |

Status Report on Resolution of APA Audit Findings

As of December 31, 2007

| Latest Audit Year | Finding Number | Title of APA Audit Finding | Current Status as Reported by Agency | Status Summary |
|---|---------------------------|--|---|---------------------------|
| <u>Radford University</u> | | | | |
| 2006 | 06-01 | This is a repeated point. Complete information security program. | The information security program was completed. | Completed |
| | 05-02 | Develop Information Technology policies and procedures. | See 06-01. | In progress |
| | 06-02 | Update the business continuity plan. | An off campus disaster recovery site is under discussion with APA concerning a change in the site location. | In progress |
| | 06-03 | Adhere to policies and procedures for cash collections. | The staff has implemented corrective action for all of the issues related to timely cash deposits. Work is continuing on reviewing the outstanding accounts receivable listing. | In progress |
| <u>Department of Health</u> | | | | |
| 2006 | 06-01 | Security risk assurance for infrastructure. | VDH has revised the contract with VCU to include specific security and control requirements. VDH will supervise VCU to assure controls are in place and operating. | In progress |
| <u>Department of Social Services</u> | | | | |
| 2006 | 06-01 | Improve case file documentation for temporary assistance to needy families. | In coordination with DCSE, ways to streamline and enhance the non-cooperation process and its timeliness are being explored. | In progress |
| | 06-02 | Improve usage of income eligibility and verification system and case file documentation. | Staff will undergo training to strengthen the IEVS process and procedures will be reviewed on a quarterly basis. | In progress |
| | 06-03 | Strengthen controls over the budgeting process. | Procedures were developed and documented. The automated approval feature of the Budget Request System has been disabled. | Completed |

Status Report on Resolution of APA Audit Findings

As of December 31, 2007

| Latest Audit Year | Finding Number | Title of APA Audit Finding | Current Status as Reported by Agency | Status Summary |
|------------------------------|---------------------------|---|--|---------------------------|
| | 06-04 | Expand budgeting to include total locality operations, not just by program or budget line. | Management does not agree that the failure to review locality budgets as a whole prevents the Department from identifying budget variances or from monitoring local agency budget as the system is a state-mandated, locally administered system the development and management of local budgets are local responsibilities. | In progress |
| | 06-05 | Define budget oversight responsibilities. | The Department is developing procedures which define the responsibilities of staff authorized to initiate and/or execute budget transactions. | In progress |
| | 06-06 | Budget adjustments and budget execution oversight. | The automatic approval feature of the Budget Request System has been disabled. | In progress |
| | 06-07 | Properly report federal expenses on financial reports. | The Department is reviewing its procedures for preparing and submitting federal reports and implementing the appropriate enhancements. | Completed |
| | 06-08 | Improve documentation of Medicaid cases. | The department will enhance its existing monitoring and evaluation procedures. | In progress |
| | 06-09 | Establish control mechanisms for adult services payments. | Additional action is necessary. | In progress |
| | 06-10 | Strengthen and ensure compliance with policies and procedures for local adult service programs. | No additional action necessary. | Completed |
| | 06-11 | Establish adequate controls and separation of duties in collection of child support payments. | Procedures will be updated to include additional security measures in regards to cash collection. | In progress |
| | 06-12 | Establish adequate controls over the payroll and human resources functions. | The Department is updating and implementing the appropriate policies and procedures. | In progress |

Status Report on Resolution of APA Audit Findings

As of December 31, 2007

| Latest Audit Year | Finding Number | Title of APA Audit Finding | Current Status as Reported by Agency | Status Summary |
|------------------------------|---------------------------|---|---|---------------------------|
| | 06-13 | Follow established policies over small purchase charge card program. | A program administrator has been hired and is in the process of implementing steps to strengthen control and procedures for small charge card purchases. | In progress |
| | 06-14 | Periodically review and reconcile firewall rules. | No additional action necessary. | Completed |
| | 06-15 | Reconcile ADAPT system data to the data warehouse. | No additional action necessary. | Completed |
| | 06-16 | Perform adequate information technology data backups. | No additional action necessary. | Completed |
| | 06-17 | This is a repeated point. Properly manage access to information systems. | Corrective action underway. DSS sent a broadcast to local departments of social services to remind them of the requirement for verification of SSN reminders for receipt of services. | In progress |
| | 05-02 | Properly manage access to information systems. | See 06-17. | In progress |
| | 06-18 | This is a repeated point. Maintain a tracking system for local employees. | Corrective action underway. The Divisions of Human Resource Management and Information Systems are continuing to implement corrective measures for this finding. | In progress |
| | 05-04 | Maintain a tracking system for local employees. | See 06-18. | In progress |
| | 06-19 | This is a repeated point. Establish controls for foster care and adoption payments. | Corrective action underway. DSS is exploring options including a combination of certification by local agencies of OASIS data and the certifications for related payments sent to the Division of Finance on a monthly basis. | In progress |
| | 05-05 | Establish controls for foster care and adoption payments. | See 06-19. | In progress |

Status Report on Resolution of APA Audit Findings

As of December 31, 2007

| Latest Audit Year | Finding Number | Title of APA Audit Finding | Current Status as Reported by Agency | Status Summary |
|---|----------------|--|--|----------------|
| <u>Department of Medical Assistance Services</u> | | | | |
| 2006 | 06-01 | Address findings in internal audit report. | The Director reports they are implementing their corrective action plan for all of the internal audit report findings. | In progress |
| <u>Department of Motor Vehicles</u> | | | | |
| 2006 | 06-01 | Improve controls over terminated employees. | A termination listing is being updated semi-monthly. Existing HRO and ITS forms are cross-referenced. DMV managers are reviewing system access and user accounts. | In progress |
| | 06-02 | This is a repeated point. Provide assurance of infrastructure security. | The Memorandum of Understanding with VITA will provide DMV's security requirements. | In progress |
| | 05-03 | Improve information technology security standards and guidelines. | See 06-02. | In progress |
| <u>The College of William and Mary in Virginia</u> | | | | |
| 2006 | 06-01 | This is a repeated point. Improve financial statement preparation process. | The College is continuing to work with the Banner financial system vendor together with other Virginia schools also using Banner to improve the reporting process. | In progress |
| | 05-01 | Test financial statement preparation process. | See 06-01. | In progress |
| <u>State Board of Elections</u> | | | | |
| 2006 | 06-01 | Improve subrecipient monitoring. | The Business Manager is developing procedures directing subrecipient audit monitoring. | In progress |
| <u>Virginia Racing Commission</u> | | | | |
| 2006 | 06-01 | Update and document information security program. | The Commission has requested that VITA assure VRC that the standards used to operate the operating system meet current security standards. | In progress |

Status Report on Resolution of APA Audit Findings

As of December 31, 2007

| Latest Audit Year | Finding Number | Title of APA Audit Finding | Current Status as Reported by Agency | Status Summary |
|--|---------------------------|--|--|---------------------------|
| | 06-02 | Improve documentation of revenue reconciliations. | VRC is reviewing the segregation of duties involved in handling revenues and will develop policies and procedures to formally document revenue reconciliations. | In progress |
| <u>Gunston Hall</u> | | | | |
| 2005 | 05-01 | Strengthen controls over petty cash. | Guidelines are being drawn up. The account is being reconciled monthly. | In progress |
| <u>The Science Museum of Virginia</u> | | | | |
| 2006 | 06-01 | Clarify the status of the Gift Shop operations. | The initial letter from the outgoing Director states that the Board of Trustees and Museum management are working to enhance operational performance and strengthen management accountability. | In progress |
| | 06-02 | Enforce Small Purchase Charge Card procedures. | See 06-01. | In progress |
| | 06-03 | Document departures from State practice. | See 06-01. | In progress |
| | 06-04 | Review and establish cash depositing practices. | See 06-01. | In progress |
| | 06-05 | Examine data system security and other computer considerations. | See 06-01. | In progress |
| | 05-01 | For the 4 th year, SMV experienced material financial difficulties. | See 06-01. Funding concerns, including structural deficits, remain. The Museum invoices its Foundation once a quarter as specified by the budget, but can move the amount and date to meet cash flow requirements. | In progress |
| | 04-01 | Improve cash management. | See 05-01. | In progress |

Status Report on Resolution of APA Audit Findings

As of December 31, 2007

| Latest Audit Year | Finding Number | Title of APA Audit Finding | Current Status as Reported by Agency | Status Summary |
|--|---------------------------|--|---|---------------------------|
| <u>Longwood University</u> | | | | |
| 2006 | 06-01 | This is a repeated point. Improve information security policies and processes. | Corrective action underway. LU contracted for web-based training recommended by VITA. The program was rolled out on campus. The Cabinet, two Councils and Faculty have taken the course and it is being given to staff. | In progress |
| | 05-02 | Establish a security awareness training policy and program. | See 06-01. | In progress |
| <u>Virginia State University</u> | | | | |
| 2006 | 06-01 | Improve financial statement preparation process. | Corrective action underway. VSU has hired new employees for key positions in the financial reporting area, documenting desk procedures and cross training their staff. | In progress |
| | 06-02 | Improve information security program. | VSU will continue to monitor and assess the plan on an ongoing basis to determine if improvements can be made. | In progress |
| <u>Attorney General and Department of Law</u> | | | | |
| 2006 | 06-01 | Complete an information security program. | The Office hired a Chief Information Officer on November 1, 2006. The Office has started a program to achieve compliance with ITRM SEC 501-01 and will appoint a Chief Security Officer. | In progress |
| | 06-02 | Strengthen controls over Small Purchase Charge Card Program. | The Director of Finance continues to stress the importance of proper documentation and continues to educate staff about procurement laws and policies. | In progress |

Status Report on Resolution of APA Audit Findings

As of December 31, 2007

| Latest Audit Year | Finding Number | Title of APA Audit Finding | Current Status as Reported by Agency | Status Summary |
|--|----------------|---|---|----------------|
| <u>Department of Minority Business Enterprise</u> | | | | |
| February 1, 2006 through January 31, 2007 | 06-01 | This is a repeated point. Update on prior year recommendations. | Corrective action underway. The Department of General Services took over the fiscal, budgetary, and procurement functions effective October 2006. The Payroll Service Bureau is used for payroll maintenance. DMBE lacks the resources to resolve internal control risks. | In progress |
| | 04-01 | Enhance the housing agreement. | See 06-01. | In progress |
| | 04-03 | Update memorandum of understanding and funding plan with VDOT. | See 06-01. | In progress |
| | 04-04 | Improve controls over cell phone usage. | See 06-01. | In progress |
| | 06-02 | Document information security program. | The agency will continue to work with the Secretary of Administration to develop and implement administrative solutions to improve operational and internal controls. | In progress |
| <u>State Corporation Commission</u> | | | | |
| 2005 | 05-01 | Implement a complete and current information security system. | Corrective action underway. The Commission hired Accenture, a consulting firm, to identify what the installation required. The original study was completed and additional analysis was requested by the Information Technology Director. | In progress |
| <u>Department of Conservation and Recreation</u> | | | | |
| 2005 | 05-01 | Follow Small Purchase Charge Card procedures. | Corrective action underway. DCR trained employees in proper use of the card. The Internal Auditor is testing compliance in the state parks. | In progress |

Status Report on Resolution of APA Audit Findings

As of December 31, 2007

| Latest Audit Year | Finding Number | Title of APA Audit Finding | Current Status as Reported by Agency | Status Summary |
|---|---------------------------|---|---|---------------------------|
| <u>Department of Forensic Science</u> | | | | |
| 2006 | 06-01 | Establish and implement an information security program. | DFS contracted with North Highland to develop DFS' comprehensive security documentation. | In progress |
| <u>Department of Veterans Services</u> | | | | |
| January 1, 2005 through March 31, 2006 | 06-04 | Properly report construction in progress. | Corrective action underway. Financial reports for FY 2006 included all construction in progress. FAACS files still need to be updated. | In progress |
| | 06-05 | Establish and implement adequate policies and procedures over the Veterans Services Foundation. | Corrective action underway. The Director states that DVS and VSF are reviewing policies and procedures. They have hired additional personnel to facilitate the review and develop new procedures where needed. | In progress |
| | 06-07 | Appropriately allocate administrative costs. | Corrective action underway. Changes have been identified for allocating administrative costs for FY 2007. | In progress |
| | 06-08 | Information systems security assurance. | Corrective action underway. DVS has published policies regarding use of personal laptops and controlling veterans' information. DVS will obtain assistance from VITA to assess security around the newly installed Financial Management System (FMS); also the FY 2007 VITA contract is now modified to provide additional system security. | In progress |
| | 06-09 | Improve voucher documentation and compliance with procurement and payment policies. | Corrective action underway. The Director states that DVS has begun implementing new policies and procedures and expects full corrective action to be complete prior to the next APA audit. | In progress |

Status Report on Resolution of APA Audit Findings

As of December 31, 2007

| Latest Audit Year | Finding Number | Title of APA Audit Finding | Current Status as Reported by Agency | Status Summary |
|--|---------------------------|---|---|---------------------------|
| | 06-12 | This is a repeated point. Implement and monitor procedures to ensure proper use of funds. | Corrective action underway. DVS corrected the accounting classification of the federal VA subsidy funds. The use of the funds at the Care Center is being reviewed. The review is intended to result in a utilization plan for the funds. | In progress |
| | 05-04 | Implement and monitor procedures to ensure proper use of funds. | See 06-12. | In progress |
| | 06-13 | This is a repeated point. Improve debt collection efforts and account write-offs. | Corrective action underway. New collection procedures are being formulated. Accounts receivable are reviewed at least quarterly. | In progress |
| | 05-05 | Improve debt collection efforts and account write-offs. | See 06-13. | In progress |
| | 06-15 | Properly manage fixed assets. | Corrective action underway. Financial reports for FY 2006 included all construction in progress. Further policies and procedures are being developed. | In progress |
| <u>Board of Accountancy</u> | | | | |
| 2006 | 06-01 | Evaluate trust account. | The Board developed and passed trust fund policies and procedures. | Completed |
| | 06-02 | Comply with the Commonwealth's security standard. | An IT security plan was developed and submitted to VITA. | Completed |
| <u>Department of Correctional Education</u> | | | | |
| 2006 | 06-01 | Improve separation of duties over CARS. | CARS access has been limited to ensure segregation of duties. | Completed |
| | 06-02 | Improve controls over systems access. | Procedures to ensure removal of systems access upon employment termination have also been developed and implemented. | Completed |

Status Report on Resolution of APA Audit Findings

As of December 31, 2007

| Latest Audit Year | Finding Number | Title of APA Audit Finding | Current Status as Reported by Agency | Status Summary |
|---|----------------|---|--|----------------|
| <u>Department of Corrections</u> | | | | |
| 2006 | 06-01 | Strengthen controls over capital projects closing and capitalization processes. | Responsibilities of various units in the procedures related to the capital project closeout and capitalization processes have been determined. Reorganization of resources is being evaluated. | In progress |
| | 06-02 | Strengthen controls over capital asset useful life methodologies. | Various alternative approaches for reevaluating asset useful lives have been explored, but a final selection has not been made. | In progress |
| | 06-03 | This is a repeated point. Strengthen procedures over agency transaction vouchers. | Management directed DOC units to use the standardized ATV form. In addition, all DOC units are required to have signatures of both the initiator and the approver of the form. | In progress |
| | 05-03 | Strengthen procedures over agency transaction vouchers. | See 06-03. | In progress |
| <u>Department of Agriculture and Consumer Services</u> | | | | |
| 2006 | 06-01 | Comply with the Commonwealth's security standard. | Management will provide a prioritized list for restoring services after a disaster to VITA so a recovery plan can be devised. | In progress |
| <u>Department of Criminal Justice Services</u> | | | | |
| 2006 | 06-01 | Strengthen monitoring of grant programs. | The Department developed an enhancement to the Grants Management Information System to track the monitoring done by grant monitors. | Completed |
| | 06-02 | Comply with the Commonwealth's Security Standard, SEC 2001. | The Department is implementing VITA's Data Security Policies and Procedures. All users will be required to participate in an annual web-based security awareness training program. | In progress |

Status Report on Resolution of APA Audit Findings

As of December 31, 2007

| Latest Audit Year | Finding Number | Title of APA Audit Finding | Current Status as Reported by Agency | Status Summary |
|---|---------------------------|---|--|---------------------------|
| | 06-03 | Strengthen internal controls over CARS access. | The Department re-evaluated data entry capabilities and changed access capabilities accordingly. | Completed |
| <u>Jamestown-Yorktown Foundation</u> | | | | |
| 2006 | 06-01 | Improve small purchase charge card procedures. | The Foundation has completed mandated training sessions to enforce adherence to established policies and procedures for small purchase charge cards. | Completed |
| <u>Department of Fire Programs</u> | | | | |
| 2006 | 06-01 | Comply with the Commonwealth's Security Standard, SEC 2001. | The Department is establishing data security policies and procedures, including logical access, physical access, logging and monitoring. | In progress |



Compliance Monitoring

Confirmation of Agency Reconciliation to CARS Reports

The Commonwealth Accounting and Reporting System (CARS) contains the Commonwealth's official accounting records. Therefore, State accounting policy requires that each agency reconcile its internal accounting records to CARS at least monthly and submit the results of the reconciliation via the confirmation of agency reconciliation to CARS reports.

DOA closely monitors confirmation status, evaluates exceptions, and posts correcting

entries in CARS. Confirmations for September, October and November⁽¹⁾ were due 10/31/07, 11/30/07 and 1/4/08⁽¹⁾, respectively. No confirmations were late or outstanding.

A web site was developed to facilitate the monitoring of confirmation status and to make the relevant information available to agency fiscal officers.

Confirmations Late or Outstanding

As of January 17, 2008

| | <u>Sep</u> | <u>Oct</u> | <u>Nov</u> |
|------|-------------------|-------------------|-------------------|
| None | - | - | - |

Key: O/S – Confirmation is outstanding
DATE – The date received by DOA

(1) The November due date was extended due to a late CARS monthly close and the December holiday schedule.

Response to Inquiries

DOA regularly communicates with agencies regarding petty cash and invoice analyses, financial reporting information, and the FAACS/LAS systems. In many instances, agencies respond in a timely manner.

However, in other instances, agencies do not respond timely or simply fail to respond. For the quarter ended December 31, 2007, all responses have been received within an acceptable timeframe.

Trial Balance Review

As an integral part of the monthly reconciliation process, each agency should review their monthly trial balance for any anomalies and investigate and correct immediately. If the anomaly cannot be corrected at the agency level, the problem should be noted on the exception register.

DOA monitors selected general ledger balances and contacts agencies in writing about certain irregular balances. The following agencies failed to respond timely, make corrective action and/or provide additional information.

Trial Balance Review

As of January 17, 2008

| | <u>Sep</u> | <u>Oct</u> | <u>Nov</u> |
|--------------------------------------|------------|------------|------------|
| Southwest Virginia Community College | - | - | X |

Analysis of Appropriation, Allotments and Expenditures, and Cash Balances

The Appropriation Act prohibits agencies from incurring unauthorized deficits. Therefore, credit cash balances and instances in which expenditures exceed appropriation and allotment require prompt investigation and resolution.

DOA contacts agencies in writing about credit cash balances and appropriations vs. expenditure anomalies. The following agencies failed to respond timely, make corrective action and/or provide additional information.

Credit Cash, Excess Expenditures, and Expenditure Credits

As of January 17, 2008

| | <u>Sep</u> | <u>Oct</u> | <u>Nov</u> |
|---------------------------------|------------|------------|------------|
| Eastern Shore Community College | - | X | X |

Disbursement Processing

During the quarter ended December 31, 2007, DOA deleted, at the submitting agency's request, 78 payments that were awaiting disbursement from the vendor payment file. These included duplicate payments, payments with incorrect vendors or addresses, and payments with incorrect amounts. This type of transaction may point to areas where improved agency internal accounting controls should be evaluated.

Twenty-seven agencies requested deletes during the quarter. Agencies that requested more than four vendor payment deletes during the quarter were:

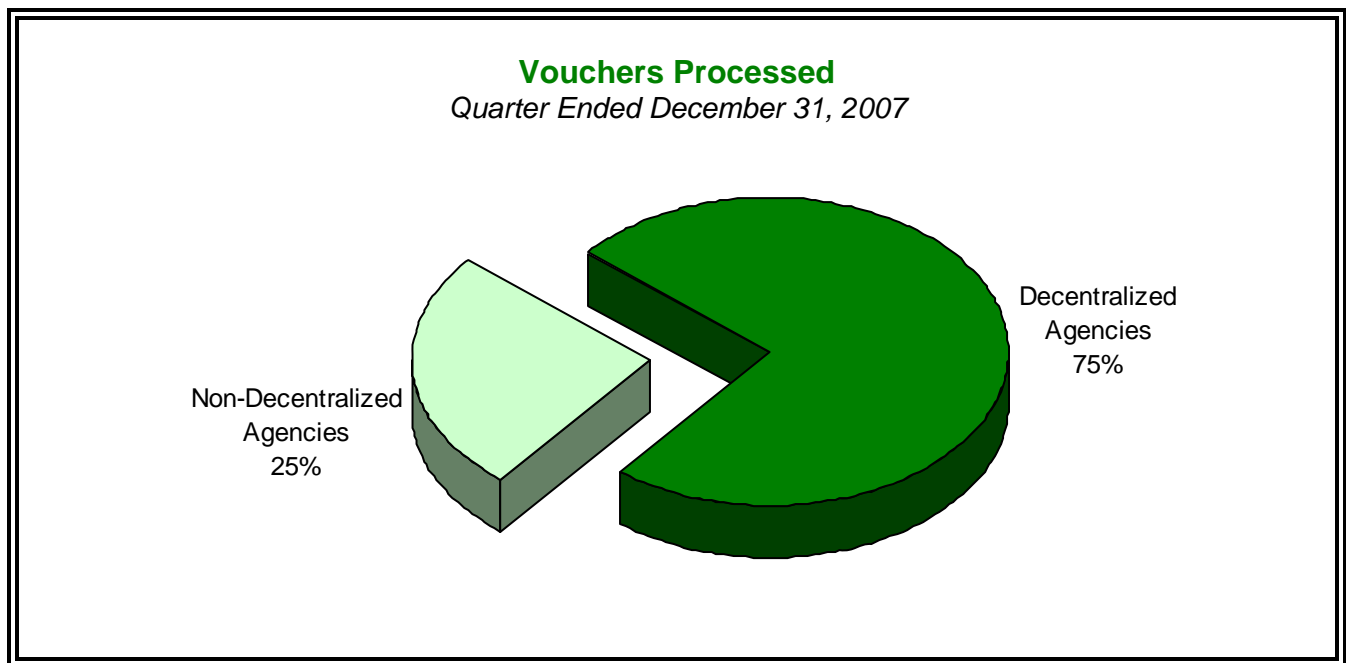
- Department of Transportation
- Tidewater Community College



Paperwork Decentralization

The Commonwealth has decentralized the pre-auditing of most disbursements to individual agencies under a grant of delegated authority from the State Comptroller. Prior to the implementation of the program, over two million document sets (batches) were sent to the central repository each year. This program reduces the flow of documents from these agencies to the central repository in Richmond.

The overall quality of the State pre-audit program is monitored through the use of quality control reviews conducted by DOA staff. Results of these reviews are provided to the agency with corrective action recommendations. The great majority of problems encountered involve documentation inconsistencies, which should be easily corrected. Travel vouchers continue to be the primary source of all problems found.



Note: Totals include vouchers processed by decentralized higher education institutions.

Decentralized Agencies

Beginning with the quarter ended December 31, 2007, DOA has changed the way deficiencies under the Decentralized Agency Review program are reported. In the past, the focus was on the quantity of findings. The new approach will emphasize the impact and effect of the findings on overall compliance with the applicable sections of the Commonwealth Accounting Policies and Procedures Manual.

Agencies considered deficient in their compliance responsibilities are required to develop a formal corrective action plan and are subject to a follow-up review 90 days after its implementation. Compliance improvement recommendations are made to most agencies, even those who are considered compliant overall. Recommendation implementation effectiveness is considered in future reviews in determining overall compliance levels and the corresponding

requirement for corrective action plan development.

Compliance reviews were conducted for eight decentralized agencies during the quarter. The agencies were evaluated for compliance with the following sections of the Commonwealth Accounting Policies and Procedures (CAPP) Manual:

- CAPP Topic 20310 - *Expenditures*
- CAPP Topic 20315 - *Prompt Payment*
- CAPP Topic 20330 - *Petty Cash*
- CAPP Topic 20335 - *State Travel Regulations*
- CAPP Topic 20336 - *Agency Travel Processing*
- CAPP Topic 20345 - *Moving and Relocation*
- CAPP Topic 20355 - *Purchase Charge Card*

Compliant Agencies

Department of Rehabilitative Services
Virginia Board for People with Disabilities (1)
Virginia Port Authority
Piedmont Virginia Community College
Western Virginia Community College
Red Onion State Prison
Fluvanna Women's Correctional Center

(1) Fiscal Services are provided by the Department of Rehabilitative Services

Agencies Requiring Corrective Action

Corrections Human Resources and Training

Corrective Action Required

Travel: Lodging Reimbursements Missing Required Approval; Mileage and M&IE Reimbursements Exceeding Allowed Rates; and Travel Vouchers Missing Required Documentation
Vendor Payments: Documentation Missing to Support Payments



Non-Decentralized Agencies

Pre-audit of disbursements is conducted at the Department of Accounts for certain agencies that have not demonstrated the capability to manage a delegated program (i.e., have not met statewide decentralization management standards), agencies for which the cost of delegation is greater than the efficiency benefits to be gained through decentralization, or those few agencies, primarily those comprised of elected officials and cabinet

officers, for whom this additional safeguard is warranted.

During the quarter, DOA reviewed all non-decentralized agencies. A total of 1,317 non-travel disbursement batches and 480 travel disbursement batches were reviewed, disclosing 46 exceptions that were resolved prior to releasing the transactions for payment.



Prompt Payment Compliance

The *Code of Virginia* requires that State agencies and institutions pay for goods and services by the required payment due date. The reporting required by the *Code of Virginia* §2.2-4356 is being met by the information presented here. This section details the number and dollar amounts of late payments by secretarial area, institutions and

agencies, and the total amount of interest paid. Agencies and institutions that process 50 or more vendor payments during a quarter are reported as not meeting Prompt Pay requirements if fewer than 95 percent of their payments are processed by the required due date.

Statewide Prompt Payment Performance Statistics

| | Quarter Ended December 31, 2007 | | Fiscal Year 2008 To-Date | | Comparative Quarter Ended December 31, 2006 | |
|---|------------------------------------|--------------|-----------------------------|--------------|---|--------------|
| | Late | Total | Late | Total | Late | Total |
| Number of Payments | 7,115 | 600,641 | 15,513 | 1,199,591 | 7,424 | 598,315 |
| Dollars (in thousands) | \$ 52,575 | \$ 1,528,131 | \$ 83,377 | \$ 3,120,402 | \$ 32,922 | \$ 1,334,837 |
| Interest Paid on Late Payments | | | | \$5,496 | | |
| Current Quarter Percentage of Payments in Compliance | | | | 98.8% | | |
| Fiscal Year-to-Date Percentage of Payments in Compliance | | | | 98.7% | | |
| Comparative Fiscal Year 2007 Percentage of Payments in Compliance | | | | 98.7% | | |



Prompt Payment Performance by Secretarial Area

Quarter Ended December 31, 2007

| Secretarial Area | Payments in Compliance | Dollars in Compliance |
|----------------------------|-------------------------------|------------------------------|
| Administration | 99.5% | 98.7% |
| Agriculture and Forestry | 99.4% | 99.6% |
| Commerce and Trade | 98.5% | 98.9% |
| Education* | 98.7% | 97.8% |
| Executive Offices | 97.6% | 93.0% |
| Finance | 99.8% | 99.8% |
| Health and Human Resources | 99.1% | 97.5% |
| Independent Agencies | 99.0% | 99.3% |
| Judicial | 99.7% | 99.8% |
| Legislative | 99.9% | 99.9% |
| Natural Resources | 99.5% | 98.0% |
| Public Safety | 99.4% | 91.9% |
| Technology | 98.8% | 94.9% |
| Transportation* | 97.6% | 95.5% |
| Statewide | 98.8% | 96.6% |

Prompt Payment Performance by Secretarial Area

Fiscal Year 2008

| Secretarial Area | Payments in Compliance | Dollars in Compliance |
|----------------------------|-------------------------------|------------------------------|
| Administration | 99.4% | 97.9% |
| Agriculture and Forestry | 99.4% | 99.4% |
| Commerce and Trade | 98.7% | 98.9% |
| Education * | 98.4% | 97.9% |
| Executive Offices | 97.8% | 93.9% |
| Finance | 99.9% | 99.9% |
| Health and Human Resources | 99.1% | 98.0% |
| Independent Agencies | 98.7% | 99.4% |
| Judicial | 99.7% | 99.8% |
| Legislative | 99.9% | 98.5% |
| Natural Resources | 99.5% | 98.7% |
| Public Safety | 99.3% | 95.2% |
| Technology | 99.1% | 94.3% |
| Transportation* | 98.5% | 97.1% |
| Statewide | 98.7% | 97.3% |

* Statistics include those provided independently by Virginia Port Authority, Virginia Polytechnic Institute and State University, University of Virginia, Radford University, James Madison University, Old Dominion University, Virginia Commonwealth University, George Mason University, the College of William and Mary in Virginia, the Virginia Institute of Marine Science, and the University of Mary Washington may include local payments. These agencies and institutions are decentralized for vendor payment processing.

For the quarter ended December 31, 2007, the following agencies and institutions that processed more than 50 vendor payments

during the quarter were below the 95 percent prompt payment performance standard.

Prompt Payment Compliance Rate
Agencies Below 95 Percent
Quarter Ended December 31, 2007

| <u>Agency</u> | <u>Late Payments</u> | <u>Total Payments</u> | <u>Payments in Compliance</u> |
|--|----------------------|-----------------------|-------------------------------|
| Education | | | |
| New College Institute | 13 | 149 | 91.3% |
| Health and Human Resources | | | |
| Virginia Rehabilitation Center for the Blind and Vision Impaired | 6 | 52 | 88.5% |

For FY 2008, the following agencies and institutions that processed more than 200 vendor payments during the year were below

the 95 percent prompt payment performance standard.

Prompt Payment Compliance Rate
Agencies Below 95 Percent
Fiscal Year 2008

| <u>Agency</u> | <u>Late Payments</u> | <u>Total Payments</u> | <u>Payments in Compliance</u> |
|---|----------------------|-----------------------|-------------------------------|
| Education | | | |
| New College Institute | 31 | 298 | 89.6% |
| Virginia Polytechnic Institute and State University | 5,537 | 107,450 | 94.8% |

Prompt Payment Explanations

Explanations for low prompt payment compliance rates for the second quarter of FY 2008 were provided by the following agencies.

The Virginia Rehabilitation Center for the Blind and Vision Impaired reports that late payments were the result of the incorrect calculation of a due date, improper days allowed for processing, and delays caused by late submissions to Accounts Payable staff for processing. Accounts Payable staff are working closely with Center staff to ensure timely submission of invoices.

Virginia Polytechnic Institute and State University reports significant improvement was achieved during the second quarter of the fiscal year and management believes the fiscal year rate will be in compliance by March 31, 2008. The noncompliance is primarily due to changes in business practices related to the full implementation of the Sciquest electronic purchasing system. Some of the larger departments have had temporary delays associated with developing new business processes to gain efficiencies in using the new system.



E-Commerce

The primary goal of the Department of Accounts' electronic commerce initiative is to reduce the number of state issued checks by using more efficient electronic payment processes. Tools such as Financial Electronic Data Interchange (EDI), Payroll Direct Deposit, and the Small Purchase Charge Card (SPCC) are more reliable and cost effective than traditional paper checks. Electronic payments are also more secure because of the use of encryption devices and other security measures. In addition to these tools, the use of electronic earnings notices through the Payline Opt-Out program further reduces paper processing and related costs.

EDI, Direct Deposit, SPCC and Payline Opt-Out are best practices that demonstrate effective financial management, particularly during difficult economic times. They increase efficiency in processing and eliminate wasteful use of time, paper,

printing, and postage for both large and small vendor payments, payroll, and employee travel reimbursement.

Agencies and institutions are expected to embrace these practices to the fullest extent possible. Other agencies of the Commonwealth that are responsible for payment processes outside of those processed centrally have also embraced e-commerce initiatives (e.g., VEC, DSS). As a result, the methodology for accumulating the Statewide E-Commerce Performance Statistics has been modified to include additional payments made by these agencies. The comparative quarter and year-to-date amounts have been restated to account for the new methodology. On the following pages, agencies and institutions are identified if e-commerce statistics indicate that they are not fully utilizing these tools.

Statewide E-Commerce Performance Statistics

| | Quarter Ended December 31, 2007 | | | Comparative Quarter Ended December 31, 2006, as restated |
|--------------------|---------------------------------|-------------------|---------|---|
| | E-Commerce | Total | Percent | Percent |
| Number of Payments | 1,953,177 | 2,514,891 | 77.7% | 50.2% |
| Payment Amounts | \$ 7,226,174,526 | \$ 8,632,069,992 | 83.7% | 84.2% |
| | Fiscal Year 2008 To-Date | | | Comparative Fiscal Year 2007, as restated |
| | E-Commerce | Total (a) | Percent | Percent |
| Number of Payments | 3,870,017 | 5,041,267 | 76.8% | 49.7% |
| Payment Amounts | \$ 15,527,574,590 | \$ 18,366,239,831 | 84.5% | 83.5% |

Financial Electronic Data Interchange (EDI)

The dollar volume of Financial EDI payments for the second quarter of FY 2008 were \$169 million (2.9 percent) more than the same quarter last year. The number of trading partner accounts increased by 14.3 percent

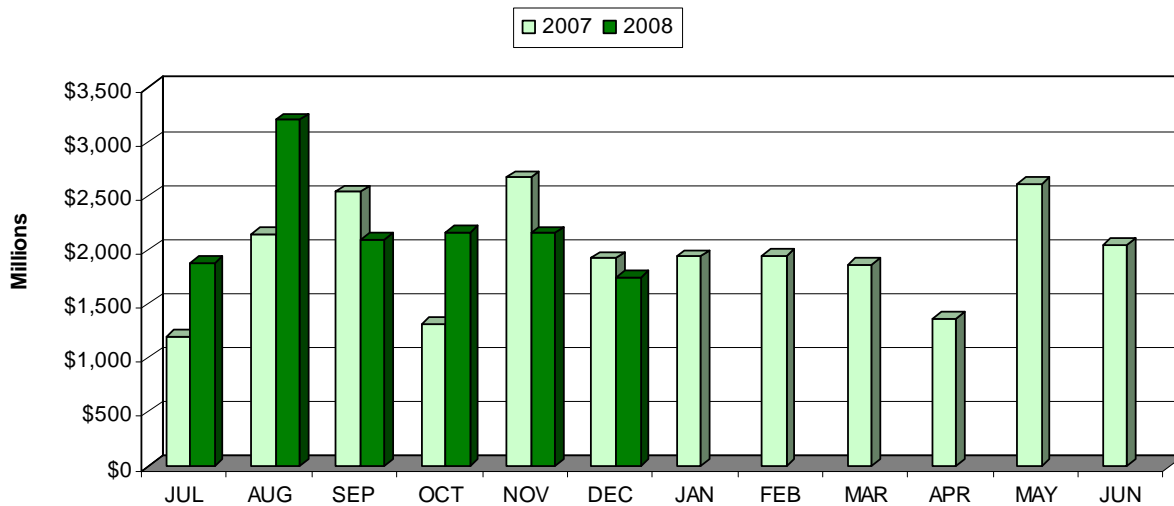
from December 2006. The largest portion of this increase is due to efforts to convert state employee travel reimbursements from checks to electronic payments.

Financial EDI Activity

| Financial EDI Activity | Quarter Ended December 31, 2007 | Fiscal Year 2008 To-Date | Comparative FY 2007 To-Date |
|--|------------------------------------|-----------------------------|-----------------------------------|
| Number of Payments | 50,448 | 98,232 | 96,678 |
| Amount of Payments | \$ 6,078,133,240 | \$ 13,271,568,608 | \$ 11,802,646,097 |
| Number of Invoices Paid | 195,516 | 388,429 | 372,643 |
| Estimated Number of Checks Avoided | 78,846 | 155,473 | 152,045 |
| Number of Trading Partner Accounts as of 12/31/07 | | 45,526 | 39,815 |

EDI Payment Comparison

FY 2007 - FY 2008



Travel EDI

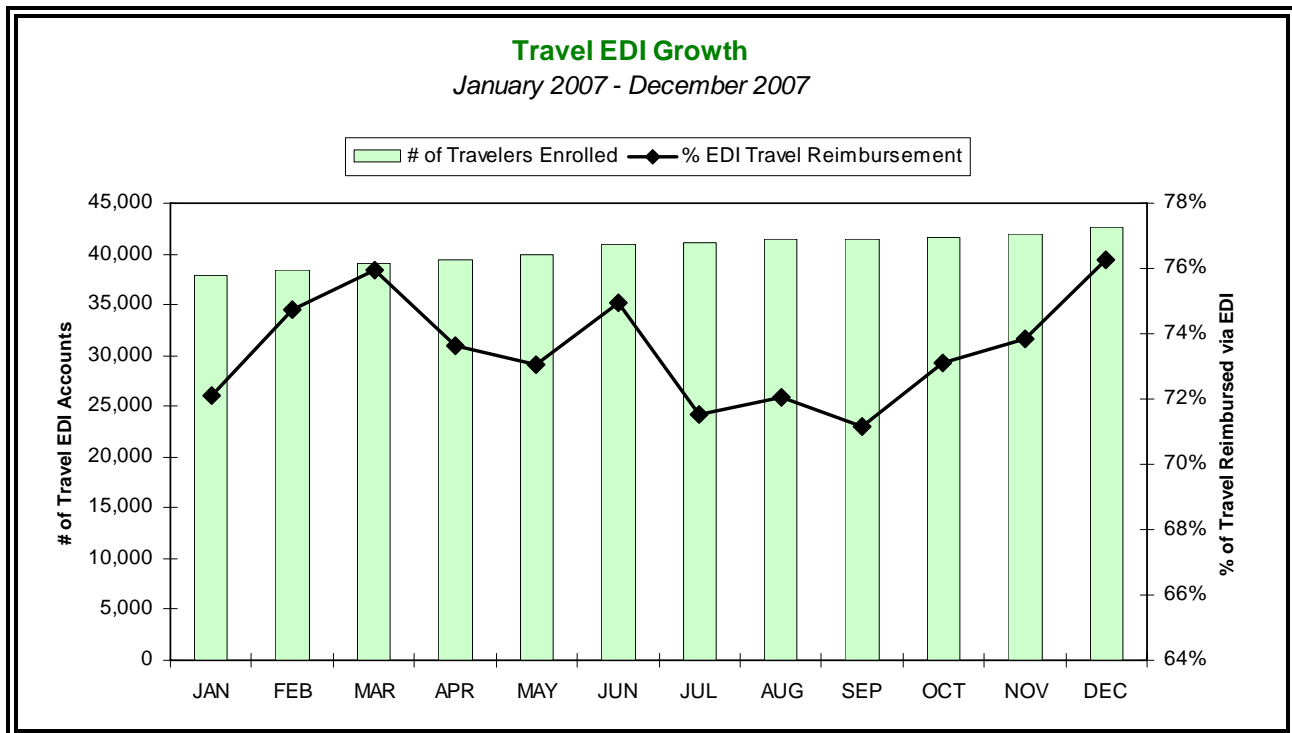
Expansion of the Travel EDI program is an integral part of the statewide effort to reduce the administrative costs associated with paying for goods and services for the Commonwealth. The Appropriation Act requires employees who travel more than twice a year to be reimbursed using EDI. DOA notified agencies of the requirement through a CARS broadcast screen and calls to the agencies that produce the largest number of travel reimbursement checks. Quarterly utilization statistics are provided to the EDI coordinators of each agency in an effort to increase the number of employees enrolled.

Although participation among certain agencies has increased, many agencies have

failed to enroll employees in EDI as required by law.

In accordance with §4-5.04g of the Appropriation Act, the Comptroller charges agencies for each travel reimbursement check issued in lieu of Travel EDI. Agencies are expected to take action to enroll applicable employees in the EDI program and thus avoid the fees altogether. For FY 2008, the fee is \$5 per travel reimbursement check.

Agencies are highly encouraged to sign up board and commission members and other non-employees that receive travel reimbursements on a recurring basis.



The following table lists by secretarial area the percentage of travel reimbursements that were made via EDI versus the number of checks that were written for travel reimbursements during the quarter. *The*

statistics are shown for employees and non-employees. These statistics do not necessarily show non-compliance with the Appropriation Act requirements.

Travel Reimbursement
Travel EDI Performance by Secretarial Area
Quarter Ended December 31, 2007

| Secretarial Area | Employee Percent | Non-Employee Percent | Reimbursement Checks Issued |
|---------------------------------|-------------------------|-----------------------------|------------------------------------|
| Administration | 76.8% | 6.1% | 96 |
| Agriculture and Forestry | 96.3% | 17.1% | 64 |
| Commerce and Trade | 94.0% | 64.2% | 221 |
| Education (1) | 86.9% | 20.7% | 1,804 |
| Executive Offices | 94.1% | 0.0% | 36 |
| Finance | 94.9% | 0.0% | 48 |
| Health and Human Resources | 90.6% | 36.4% | 1,487 |
| Independent Agencies | 91.0% | 0.0% | 147 |
| Judicial | 15.7% | 2.2% | 3,731 |
| Legislative | 92.3% | 21.4% | 143 |
| Natural Resources | 95.2% | 46.1% | 168 |
| Public Safety | 84.7% | 8.7% | 1,206 |
| Technology | 76.6% | 14.3% | 55 |
| Transportation (1) | 76.5% | 37.9% | 580 |
| Statewide for Quarter | 81.3% | 23.9% | 9,786 |
| <i>Fiscal Year 2008 To-Date</i> | | | |
| Statewide | 80.3% | 21.3% | 19,526 |
| <i>Comparative</i> | | | |
| <i>Fiscal Year 2007 To-Date</i> | | | |
| Statewide | 78.1% | 16.8% | 21,782 |

(1) Statistics do not include agencies and institutions decentralized for vendor payment processing.

The following table lists agencies with Employee EDI participation rates below 75 percent that issued more than 25 travel reimbursement checks during the quarter.

These statistics are informational only and **do not** necessarily indicate noncompliance with the Appropriation Act.

Agency Employee EDI Performance
Utilization Below 75 Percent

| Agency | Percent | Reimbursement Checks Issued |
|---|----------------|--|
| Administration | | |
| Department of General Services | 73.0% | 40 |
| Education | | |
| Southside Virginia Community College | 73.2% | 59 |
| Northern Virginia Community College | 73.0% | 82 |
| Norfolk State University | 51.7% | 125 |
| Health and Human Resources | | |
| Department of Social Services | 74.9% | 177 |
| Southwestern Virginia Training Center | 66.0% | 34 |
| Judicial | | |
| Supreme Court | 6.1% | 1,049 |
| Circuit Courts | 3.8% | 506 |
| Magistrate System | 3.0% | 164 |
| Juvenile and Domestic Relations District Courts | 2.9% | 305 |
| Combined District Courts | 2.9% | 238 |
| General District Courts | 1.3% | 317 |
| Court of Appeals of Virginia | 0.0% | 84 |
| Public Safety | | |
| Department of Veterans Services | 69.3% | 54 |
| Department of Military Affairs | 66.3% | 34 |
| Augusta Correctional Center | 23.1% | 40 |
| Green Rock Correctional Center | 22.9% | 54 |
| Transportation | | |
| Department of Transportation | 71.3% | 433 |

The following table lists agencies that issued more than 25 travel reimbursement checks during the quarter and had a non-employee EDI participation rate below 10 percent.

These statistics are informational only. The expansion of EDI for non-employees is a cost savings opportunity for the Commonwealth.

**Agency Non-Employee EDI Performance
Utilization Below 10 Percent**

| Agency | Percent | Reimbursement Checks Issued |
|---|----------------|--|
| Education | | |
| Department of Education | 5.2% | 542 |
| Virginia Military Institute | 0.0% | 53 |
| Virginia Commission for the Arts | 0.0% | 28 |
| Christopher Newport University | 0.0% | 26 |
| Health and Human Resources | | |
| Virginia Board for People with Disabilities | 1.9% | 52 |
| Department for the Aging | 0.0% | 35 |
| Public Safety | | |
| Department of Emergency Management | 5.1% | 37 |
| Department of Forensic Science | 0.0% | 88 |
| Department of Criminal Justice Services | 0.0% | 57 |
| Department of Veterans Services | 0.0% | 34 |
| Judicial | | |
| Circuit Courts | 4.8% | 377 |
| General District Courts | 3.6% | 53 |
| Supreme Court | 0.5% | 204 |
| Virginia State Bar | 0.0% | 281 |
| Juvenile and Domestic Relations District Courts | 0.0% | 54 |
| Commerce and Trade | | |
| Board of Accountancy | 5.7% | 33 |
| Agriculture and Forestry | | |
| Department of Agriculture and Consumer Services | 8.1% | 34 |

The following table lists agencies that have accumulated more than \$150 in employee EDI check charges for the fiscal year and have a utilization rate below 80 percent. Agencies are charged for each travel reimbursement check issued to an employee after their second check of the fiscal year.

For FY 2008, the charge is \$5 per check. These statistics indicate noncompliance with §4-5.04.f.5 of the Appropriation Act which requires that all employees likely to travel more than twice per year be reimbursed for travel costs using electronic data interchange.

Agency Non-Compliance Travel Check Charges Utilization Below 80 Percent

| Agency | Percent | Year-to-date Charges |
|---|---------|-------------------------|
| Judicial | | |
| Supreme Court | 6.1% | \$ 1,071 |
| Circuit Courts | 3.8% | 3,415 |
| Magistrate System | 3.0% | 592 |
| Juvenile and Domestic Relations District Courts | 2.9% | 1,434 |
| Combined District Courts | 2.9% | 1,026 |
| General District Courts | 1.3% | 1,205 |
| Court of Appeals of Virginia | 0.0% | 198 |
| Transportation | | |
| Department of Transportation | 71.3% | 477 |



Direct Deposit

During the second quarter of FY 2008, 490,698 checks were avoided using direct

deposit. Agencies are expected to take proactive steps to improve participation rates.

Direct Deposit Performance by Secretarial Area

Quarter Ended December 31, 2007

| Secretarial Area | Direct Deposit % of Salaried Employees | Direct Deposit % of Wage Employees |
|----------------------------|---|---|
| Administration | 91.4% | 88.2% |
| Agriculture and Forestry | 94.7% | 47.6% |
| Commerce and Trade | 97.7% | 94.2% |
| Education | 97.7% | 72.6% |
| Executive Offices | 98.3% | 55.9% |
| Finance | 97.2% | 93.6% |
| Health and Human Resources | 90.9% | 83.8% |
| Independent Agencies | 97.5% | 85.1% |
| Judicial | 97.1% | 60.9% |
| Legislative | 97.0% | 76.8% |
| Natural Resources | 97.9% | 66.0% |
| Public Safety | 91.3% | 86.1% |
| Technology | 97.7% | 100.0% |
| Transportation | 92.2% | 83.8% |
| Statewide | 93.4% | 75.9% |

Comparative

Quarter Ended December 31, 2006

| | | |
|------------------|--------------|--------------|
| Statewide | 92.4% | 74.8% |
|------------------|--------------|--------------|

Statewide Salaried Direct Deposit Performance

Quarter Ended December 31, 2007

| | |
|--|--------------|
| Salaried Direct Deposit Participation | 93.4% |
|--|--------------|

Salaried Direct Deposit Below 90 Percent

| <u>Agency</u> | <u>Percent</u> | <u>Number of Employees</u> |
|--|----------------|--------------------------------|
| Administration | | |
| State Board of Elections | 84.4% | 32 |
| Education | | |
| Virginia School for the Deaf, Blind and Multi-Disabled at Hampton | 89.9% | 99 |
| Health and Human Resources | | |
| Southwestern Virginia Mental Health Institute | 89.1% | 539 |
| Western State Hospital | 87.4% | 716 |
| Southern Virginia Mental Health Institute | 87.4% | 174 |
| Southwestern Virginia Training Center | 87.0% | 476 |
| Eastern State Hospital | 86.8% | 986 |
| Commonwealth Center for Children & Adolescents | 84.1% | 138 |
| Piedmont Geriatric Hospital | 77.2% | 329 |
| Central Virginia Training Center | 67.5% | 1,436 |
| Public Safety | | |
| Central Region Correctional Field Units | 89.7% | 116 |
| Department of Juvenile Justice | 89.6% | 2,318 |
| Fluvanna Women's Correctional Center | 89.5% | 323 |
| Buckingham Correctional Center | 89.1% | 402 |
| Marion Correctional Treatment Center | 89.0% | 227 |
| Haynesville Correctional Center | 88.5% | 364 |
| Virginia Correctional Center for Women | 88.4% | 224 |
| Eastern Region Correctional Field Units | 87.8% | 139 |
| Lunenburg Correctional Center | 87.0% | 261 |
| Deep Meadow Correctional Center | 86.5% | 297 |
| Mecklenburg Correctional Center | 85.3% | 388 |
| Deerfield Correctional Center | 84.7% | 339 |
| Greensville Correctional Center | 84.2% | 783 |
| Powhatan Reception and Classification Center | 84.1% | 126 |
| Nottoway Correctional Center | 83.4% | 435 |
| Augusta Correctional Center | 83.4% | 392 |
| Brunswick Correctional Center | 83.3% | 389 |
| Bland Correctional Center | 83.2% | 297 |
| Powhatan Correctional Center | 83.1% | 372 |
| Dillwyn Correctional Center | 76.1% | 259 |

(continued on next page)

Salaried Direct Deposit Below 90 Percent

(continued)

| <u>Agency</u> | <u>Percent</u> | <u>Number of Employees</u> |
|--|----------------|----------------------------|
| Transportation | | |
| Department of Transportation - Culpeper | 88.6% | 517 |
| Department of Transportation - Bristol | 87.6% | 767 |
| Department of Transportation - Lynchburg | 86.9% | 639 |

Statewide Wage Direct Deposit Performance

Quarter Ended December 31, 2007

| | |
|--|--------------|
| Wage Direct Deposit Participation | 75.9% |
|--|--------------|

Wage Direct Deposit Below 50 Percent

| <u>Agency</u> | <u>Percent</u> | <u>Number of Employees</u> |
|---------------------------------------|----------------|----------------------------|
| Agriculture and Forestry | | |
| Department of Forestry | 27.1% | 70 |
| Education | | |
| Southwest Virginia Community College | 48.6% | 315 |
| Southside Virginia Community College | 46.8% | 301 |
| Wytheville Community College | 46.1% | 178 |
| Central Virginia Community College | 45.3% | 289 |
| Paul D. Camp Community College | 42.5% | 167 |
| Dabney S. Lancaster Community College | 41.7% | 72 |
| New River Community College | 38.1% | 202 |
| Lord Fairfax Community College | 33.7% | 309 |
| Thomas Nelson Community College | 31.9% | 232 |
| Virginia Highlands Community College | 27.0% | 174 |
| Health and Human Resources | | |
| Central Virginia Training Center | 42.6% | 122 |
| Judicial | | |
| Combined District Courts | 43.5% | 23 |

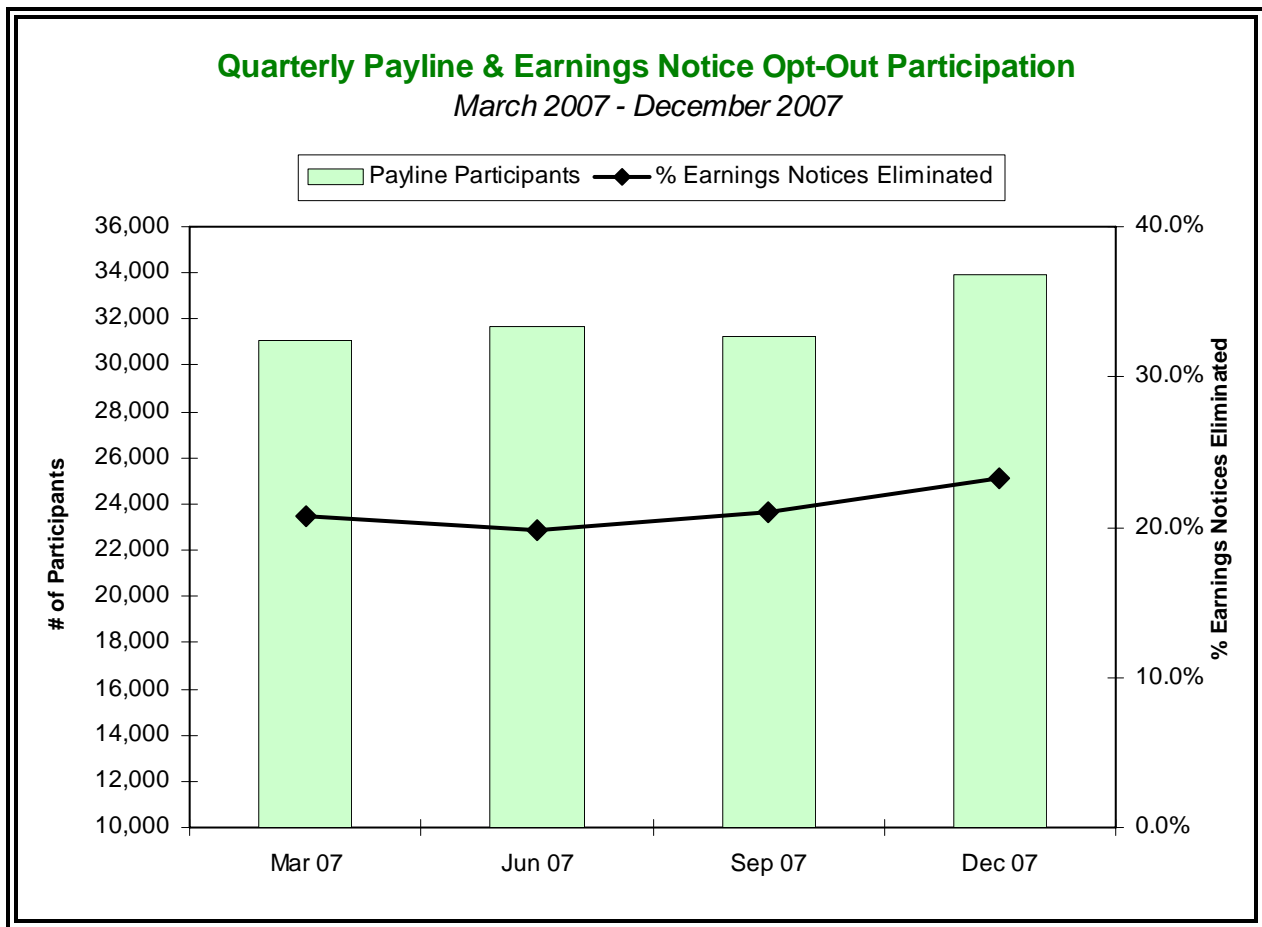


Payroll Earnings Notices

Elimination of earnings notices associated with direct deposit is an additional method for increasing the benefits of electronic payments. Employees are currently able to obtain enhanced information online using the web-based Payline system.

In addition to increasing direct deposit participation, agencies and institutions are

expected to encourage employees to enroll in Payline and discontinue receipt of centrally printed earnings notices. Since inception in November 2002, the Commonwealth has eliminated the printing of approximately 1,428,227 earnings notices. However, statewide participation rates remain low.



The following table lists participation among all statewide employees in Payline and the Opt-Out initiative by secretarial area.

**Payline and Earnings Notice Opt-Out Participation
by Secretarial Area**

Quarter Ended December 31, 2007

| Secretarial Area | Percent Payline Participation | Percent Earnings Notices Eliminated* |
|----------------------------|--------------------------------------|---|
| Administration | 63.4% | 42.0% |
| Agriculture and Forestry | 27.3% | 15.8% |
| Commerce and Trade | 80.1% | 55.4% |
| Education | 31.3% | 23.4% |
| Executive Offices | 63.5% | 60.0% |
| Finance | 96.0% | 94.1% |
| Health and Human Resources | 37.7% | 18.2% |
| Independent Agencies | 47.9% | 33.5% |
| Judicial | 16.5% | 6.1% |
| Legislative | 49.5% | 44.5% |
| Natural Resources | 51.8% | 40.4% |
| Public Safety | 31.6% | 21.5% |
| Technology | 88.3% | 79.2% |
| Transportation | 37.4% | 15.4% |
| Statewide | 36.4% | 23.3% |

| | | |
|--|--------------|--------------|
| <i>Comparative</i> | | |
| <i>Quarter Ended December 31, 2006</i> | | |
| Statewide | 32.1% | 19.1% |

* Employees must participate in Direct Deposit and Payline in order to opt out of receiving centrally printed earnings notices.

Statistics do not include employees of eight institutions of higher education that are decentralized for payroll processing.

Listed below are agencies where less than six percent of earnings notices have been eliminated by employees on direct deposit.

Only agencies and institutions with more than 25 employees are included in this report.

**Payline Earnings Notice Elimination
Under 6 Percent**

Quarter Ended December 31, 2007

| Agency | Percent Earnings Notices Eliminated | Earnings Notices Printed for 12/28/07 Payday |
|--|--|---|
| Agriculture and Forestry | | |
| Department of Forestry | 4.7% | 277 |
| Education | | |
| Danville Community College | 5.1% | 352 |
| Radford University | 4.3% | 1,262 |
| Rappahannock Community College | 3.3% | 189 |
| Central Virginia Community College | 3.0% | 316 |
| Virginia School for the Deaf, Blind and Multi-Disabled at Hampton | 2.3% | 111 |
| Christopher Newport University | 2.0% | 1,879 |
| Northern Virginia Community College | 1.7% | 2,124 |
| Health and Human Resources | | |
| Southside Virginia Training Center | 5.2% | 1,170 |
| Piedmont Geriatric Hospital | 2.2% | 289 |
| Central Virginia Training Center | 1.9% | 987 |
| Judicial | | |
| Magistrate System | 2.1% | 398 |
| Combined District Courts | 1.8% | 198 |
| General District Courts | 1.1% | 970 |
| Juvenile and Domestic Relations District Courts | 1.1% | 610 |
| Circuit Courts | 0.0% | 187 |
| Court of Appeals of Virginia | 0.0% | 75 |

**Payline Earnings Notice Elimination
Under 6 Percent**

(continued)

Quarter Ended December 31, 2007

| Agency | Percent Earnings Notices Eliminated | Earnings Notices Printed for 12/28/07 Payday |
|---------------------------------------|--|---|
| Public Safety | | |
| Lunenburg Correctional Center | 5.3% | 213 |
| Haynesville Correctional Center | 5.2% | 314 |
| Division of Community Corrections | 4.8% | 1,330 |
| Deerfield Correctional Center | 4.7% | 275 |
| Dillwyn Correctional Center | 4.5% | 186 |
| Nottoway Correctional Center | 4.5% | 347 |
| Bland Correctional Center | 4.3% | 237 |
| Fluvanna Women's Correctional Center | 4.0% | 270 |
| Keen Mountain Correctional Center | 3.4% | 291 |
| Greensville Correctional Center | 3.0% | 650 |
| Brunswick Correctional Center | 2.8% | 319 |
| Virginia Veterans Care Center | 2.5% | 249 |
| Transportation | | |
| Department of Transportation - Hourly | 5.5% | 280 |



Small Purchase Charge Card (SPCC) and Increased Limit (Gold) Card

Two purchasing charge card programs offer State agencies and institutions alternative payment methods that improve administrative efficiency by consolidating invoice and payment processing for purchases of less than \$50,000. Use of the purchasing charge cards decreases the number of checks issued and the associated administrative costs of processing invoices. Suppliers benefit from expedited receipt of payments and reduced billing costs.

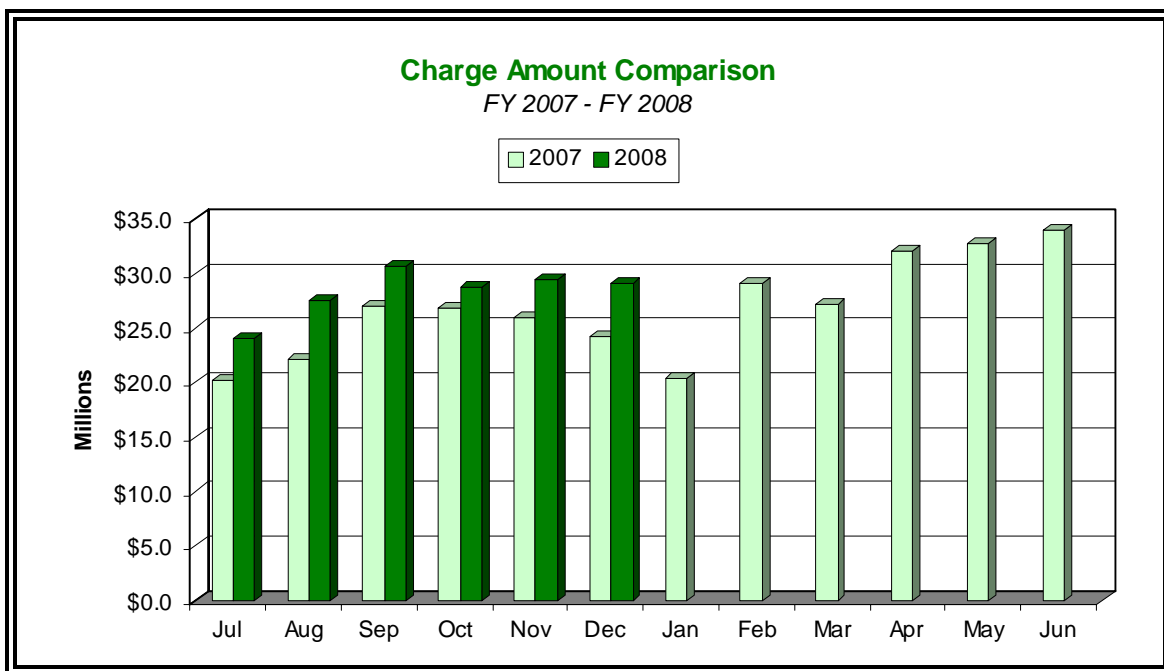
The Small Purchase Charge Card continues to be used for purchases under \$5,000. Agencies are strongly encouraged to obtain a Gold Card for use for purchases up to \$50,000.

The total amount charged on SPCC and Gold cards during the second quarter of FY 2008 increased by \$10.4 million or 13.5 percent from the same quarter last year.

Small Purchase Charge Card Program

| Charge Card Activity | Quarter Ended December 31, 2007 | Fiscal Year 2008 To-Date | Comparative Fiscal Year 2007 To-Date |
|--|--|-------------------------------------|---|
| Amount of Charges | \$ 87,355,650 | \$ 169,628,603 | \$ 146,262,266 |
| Estimated Number of Checks Avoided | 160,073 | 328,684 | 349,164 |
| Total Number of Participating Agencies | | 226 | 218 |
| Total Number of Cards Outstanding | | 14,937 | 13,048 |

The following chart compares charge activity for FY 2008 to activity for FY 2007:



SPCC Utilization Compliance

Maximum use of the SPCC program, in conjunction with other e-commerce initiatives, is essential to the statewide effort to reduce the costs associated with paying for goods and services for the Commonwealth.

For purposes of computing the \$5 underutilization charge imposed in accordance with §4-5.04g. of the Appropriation Act, the threshold has been set at 70 percent. Beginning in the second quarter of FY 2007, all local governments have been exempted from the utilization process.

In accordance with §4-5.04(g) of the Appropriation Act, the underutilization charge imposed for agencies under the 70 percent threshold is \$5.

All payments under \$5,000 processed through CARS and not placed on the purchase card will be matched against GE MasterCard's vendor base in excess of 25 million merchants based on Tax Identification number.

Each agency will receive a report of payments to participating suppliers which should have been paid by the SPCC from DOA. Questions regarding the data can be emailed to cca@doa.virginia.gov.

Statewide SPCC Performance

Quarter Ended December 31, 2007

Percentage Utilization for Eligible Transactions

84%

SPCC Utilization by Secretarial Area

Quarter Ended December 31, 2007

| <u>Secretarial Area</u> | <u>Payments in Compliance ⁽¹⁾</u> | <u>Non-Compliant Transactions ⁽²⁾</u> |
|------------------------------|--|--|
| Administration | 83% | 686 |
| Agriculture and Forestry | 84% | 578 |
| Commerce and Trade | 80% | 802 |
| Education* | 88% | 5,230 |
| Executive Offices | 93% | 76 |
| Finance | 92% | 109 |
| Health and Human Resources** | 83% | 6,379 |
| Independent Agencies | 67% | 844 |
| Judicial | 40% | 2,294 |
| Legislative | 96% | 54 |
| Natural Resources | 92% | 791 |
| Public Safety | 93% | 2,760 |
| Technology | 78% | 165 |
| Transportation* | 70% | 7,549 |
| Statewide | 84% | 28,317 |

* Statistics do not include agencies and institutions decentralized for vendor payment processing.

** Department of Rehabilitative Services division of DDS payments not included in the above statistics.

(1) **"Payments in Compliance"** represents the percentage of purchases made from participating SPCC vendors using the purchasing card.

(2) **"Non-Compliant Transactions"** represents the number of small purchases from participating SPCC vendors where the purchasing card was not used for payment.



**Agency SPCC Performance
Utilization Below 70 Percent**

| Agency | Payments in Compliance | Non-Compliant Transactions |
|---|-----------------------------------|---------------------------------------|
| Administration | | |
| Department of Charitable Gaming | 64% | 9 |
| Commerce and Trade | | |
| Virginia Employment Commission | 36% | 720 |
| Education | | |
| Norfolk State University | 62% | 904 |
| Health and Human Resources | | |
| Eastern State Hospital | 69% | 446 |
| Sitter-Barfoot Veteran's Care Center | 65% | 51 |
| Central Virginia Training Center | 63% | 490 |
| Independent Agencies | | |
| State Corporation Commission | 2% | 543 |
| Judicial | | |
| Judicial Inquiry and Review Commission | 67% | 6 |
| Virginia Indigent Defense Commission | 61% | 225 |
| Board of Bar Examiners | 0% | 33 |
| Circuit Courts | 0% | 202 |
| Combined District Courts | 0% | 313 |
| General District Courts | 0% | 672 |
| Juvenile and Domestic Relations District Courts | 0% | 445 |
| Magistrate System | 0% | 92 |
| Virginia Criminal Sentencing Commission | 0% | 26 |
| Legislative | | |
| Commission on the Virginia Alcohol Safety Action Program | 0% | 34 |



SPCC and ATC Payment Compliance

Agencies and institutions participating in the Charge Card program are required to submit GE MasterCard payments via EDI no later than the 8th of each month. Failure to pay the correct amount when due jeopardizes the Commonwealth's contractual relationship with the charge card vendor and may result in suspension of an agency's charge card program. Any agency that pays their bill late by more than two (2) days is reported. For the month of October, this represents the bill date of October 15, 2007, with the payment due no later than November 8, 2007.

Agencies are credited under prompt payment reporting for timely payment of each purchasing charge card transaction. *Effective July 1, 2007, any late payments on the Airline Travel Card (ATC) will be reflected in this section along with purchase card late payments. If an agency is late paying their ATC bill, agency prompt payment statistics may be adjusted downward to reflect each ATC bill submitted as a late payment.*

The following chart lists agencies more than two days late in submitting their payments by each program type.

| <u>Agency Name</u> | <u>Oct</u> | <u>Nov</u> | <u>Dec</u> |
|---|------------|------------|------------|
| <u>Purchase Card Program:</u> | | | |
| Education | | | |
| Eastern Shore Community College | | | X |
| New College Institute | | X | X |
| Rappahannock Community College | | X | |
| University of Virginia Medical Center | | | X |
| Independent | | | |
| Virginia Office for Protection and Advocacy | | X | |
| Virginia Retirement System | X | | |
| Transportation | | | |
| Department of Transportation - Bristol | | X | |
| Department of Transportation - Fredericksburg | | X | |
| <u>Airline Travel Card Program:</u> | | | |
| Public Safety | | | |
| Department of Military Affairs | | | X |



Travel Charge Card

The Commonwealth of Virginia has contracted with GE to provide employees with a means of charging reimbursable travel and related expenses while conducting official state business. Unlike the SPCC program, in which the agency directly receives and pays a summarized bill for all cardholders, each cardholder is personally responsible for all charges placed on the travel card and for paying the bill on time.

One of the major concerns under this program is the timely payment of card statements. Delinquent accounts result in higher costs to the contractor and ultimately threaten the viability of the Commonwealth's travel charge card program.

The contract provides for the following actions on delinquent accounts:

- 30 days past due – noted on statement, letter sent to the cardholder.
- 31 - 60 days past due – charging privileges are temporarily suspended until balance is paid.
- 61 - 90 days past due – the account is permanently closed. Cardholder is no longer eligible to participate in the program.

The following table identifies the number of delinquent card accounts with GE MasterCard by agency during the quarter ended December 31, 2007, and the total amounts past due.

Travel Charge Card Program

As of December 31, 2007

| Agency | Total Delinquent Accounts | Amounts 60 Days Past Due | Amounts 90-120 Days Past Due | Amounts >150 Days Past Due |
|---|--|---|---|--|
| Education | | | | |
| The College of William and Mary in Virginia | 1 | \$ 164 | \$ 0 | \$ 0 |
| Virginia Polytechnic Institute and State University | 1 | 176 | 799 | 0 |
| Health and Human Resources | | | | |
| Department of Health | 1 | 0 | 368 | 0 |
| Executive | | | | |
| Attorney General and Department of Law | 1 | 1,801 | 0 | 0 |
| Transportation | | | | |
| Department of Motor Vehicles | 1 | 0 | 0 | 511 |



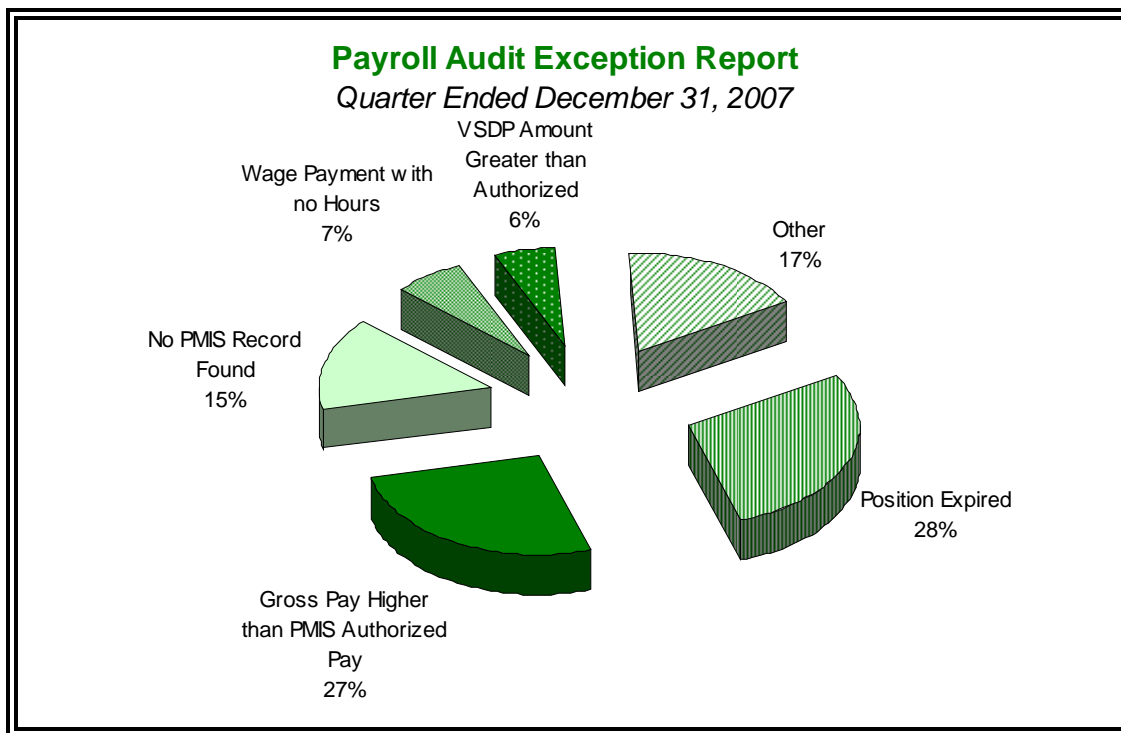
Payroll Controls

PMIS/CIPPS Payroll Audit

During the quarter, DOA's automated comparison of payroll and personnel (PMIS) records examined 435,216 salaried pay transactions and 221,064 wage pay transactions. The comparison is performed following each payday and is designed to identify discrepancies between authorized salary/wage amounts in PMIS and amounts paid in CIPPS. There were 1,737 new exceptions noted statewide during the quarter, with an overall exception rate of 0.34 percent.

The statewide salaried payroll exception rate was 0.48 percent and the wage payroll exception rate was 0.05 percent. During this quarter, 48 employee paychecks were reduced to recover \$11,027.92 in overpayments.

While the largest cause of exceptions is pay being processed for employees whose positions have expired, the second largest cause of exceptions is the result of agency failure to complete the salary increase authorization process by updating PMIS salary amounts *prior* to paying the increased salary amount in CIPPS. The PMIS authorization is an important internal control over payroll processing. Such exceptions can largely be avoided through timely PMIS data entry by agency Human Resource staff. Although segregation of these Human Resource and Payroll functions is an effective internal control, coordination and communication between agency Human Resource and Payroll staffs is essential.



Exception percentages are calculated by dividing the number of exceptions by the number of salaried or wage employees. Agencies are reported below if the percentage

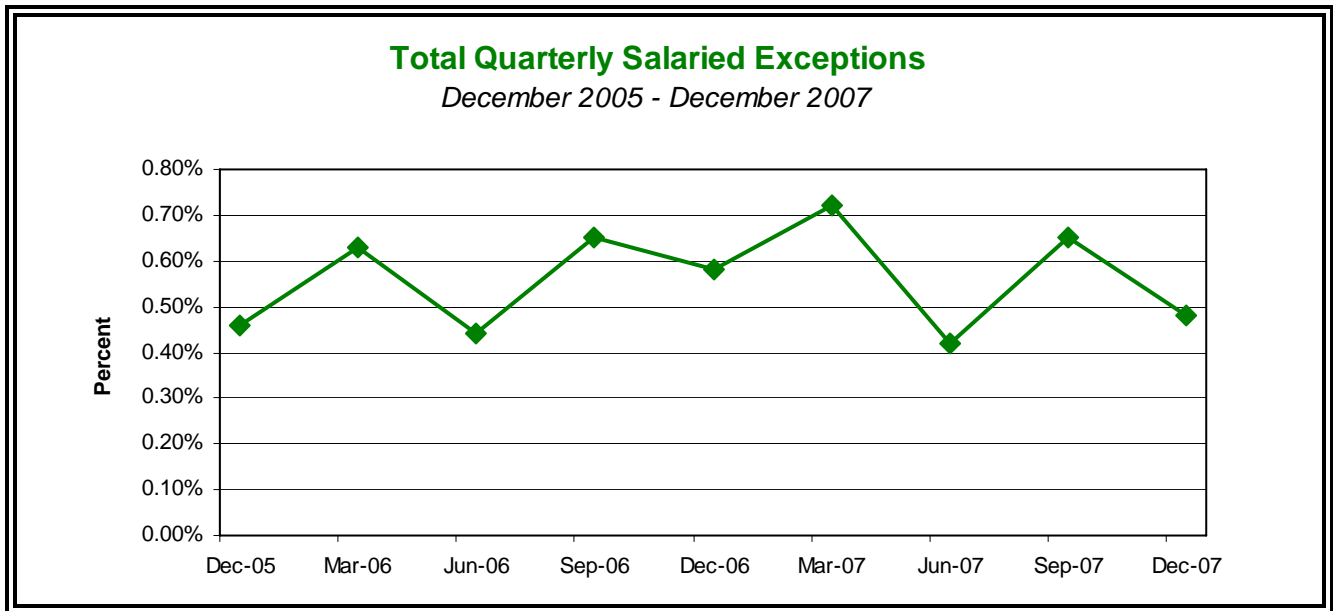
of payroll exceptions to salaried or wage payments exceeds three times the statewide average for the quarter.

Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Salaried Payments
Quarter Ended December 31, 2007

| Agency | # of Salaried Exceptions | Exceptions as a % of Salaried Payments |
|---------------------------------------|---------------------------------|---|
| Rappahannock Community College | 24 | 3.85% |
| Dabney S. Lancaster Community College | 13 | 2.67% |
| Mountain Empire Community College | 16 | 1.79% |

| | |
|--|--------------|
| Total Salaried Payroll Exceptions for the Quarter | 0.48% |
|--|--------------|

The following chart compares payroll exceptions as a percentage of salaried payments by quarter for the past two years.



Payroll Exception Audit
Agency Payroll Exceptions as a Percent of Wage Payments
Quarter Ended December 31, 2007

| <u>Agency</u> | <u># of Wage Exceptions</u> | <u>Exceptions as a % of Wage Payments</u> |
|---------------|---------------------------------|---|
|---------------|---------------------------------|---|

There were no reported wage exceptions for the quarter.

| | |
|--|--------------|
| Wage Payroll Exceptions for the Quarter | 0.05% |
|--|--------------|

The following chart compares payroll exceptions as a percentage of wage payments by quarter for the past two years.



PMIS/CIPPS Exceptions

Agencies are required to submit explanations and/or reconciliations for the differences identified on the CIPPS/PMIS Unresolved Exceptions Report, within six weeks of

notification. The following table lists those agencies having exceptions that remain unresolved six weeks after receipt of the report.

| Agency | Unresolved Exceptions |
|--|----------------------------------|
| Education | |
| Northern Virginia Community College | 4 |
| Dabney S. Lancaster Community College | 1 |
| Health and Human Resources | |
| Central State Hospital | 12 |
| Eastern State Hospital | 1 |
| Southside Virginia Training Center | 1 |
| Public Safety | |
| Southampton Correctional Center | 4 |
| Greensville Correctional Center | 1 |
| Department of Alcoholic Beverage Control | 1 |



Payroll Certification

Agencies are required to calculate, verify, and authorize the amount to be disbursed for each payroll. This responsibility can be met through the timely preparation of agency payrolls, request and review of automated edit reports, and correction of errors prior to requesting actual payroll runs which result in payroll disbursements. This process is referred to as “payroll certification.” Payroll certification serves as a critical internal control to ensure payroll disbursements are accurate and authorized. Agency payroll certifications are monitored centrally to ensure that agencies conduct this important function.

Differences between the amount calculated by the payroll system based on agency input and the amount certified by the agency to be disbursed based on edit reports are identified in automated reports provided to agencies. Agencies are required to submit explanations and/or reconciliations of the differences identified on each report by the end of the day following receipt of the report. Differences result from agency payroll errors, miscalculations, online certification data entry errors, and inappropriately high volumes of changes following certification. Although differences do not result in undetected

incorrect payments, such errors are avoidable and are not consistent with sound internal control over payroll.

Since timely certification is also essential; authorized and trained staff, as well as telecommunications access and computer terminals, must be available at all times. Reliable back-up plans are necessary should any of these resources be unavailable on a critical payroll processing date due to emergency or other circumstances.

Agencies are required to enter applicable payroll certification requests into the payroll system by **3:30 p.m.** daily to ensure sufficient time is available for central review by DOA staff to validate certification entries, a critical compensating control. Late entries, either initial or correcting, make certification review more difficult or impossible. When a data entry error is detected during the review process, DOA must make corrections to avoid inaccurate payroll disbursements and/or voluminous and costly corrective action.

The table on the following page lists agencies and institutions that have failed to comply with one or more of the requirements for accurate and timely payroll certification.

Payroll Certification Compliance

| Agency | Variance Amount (a) | Performed by DOA (b) | Submitted Late (c) | Corrected by DOA (d) |
|---|---------------------------|----------------------------|--------------------------|----------------------------|
| Education | | | | |
| John Tyler Community College | | 1 | | |
| Lord Fairfax Community College | \$ 67,155 | | | |
| Piedmont Community College | 1,066 * | | | |
| Virginia Western Community College | 135,960 | | | |
| Independent | | | | |
| Virginia Retirement System | 30,002 | | | |
| Virginia Workers' Compensation Commission | | 1 | | |
| Judicial | | | | |
| General District Courts | 52,537 | | | |
| Public Safety | | | | |
| Department of Military Affairs | 21,431 | | | |

* Explanation not received

Columns show the following:

- (a) Variance in dollars for agencies whose certified amounts varied from actual computed amounts by more than \$20,000 for any payrolls processed during the quarter.
- (b) The number of times DOA had to perform the certification function for the agency due to inadequate agency back-up.
- (c) The number of certifications that were submitted or altered later than the daily deadline.
- (d) The number of times DOA made corrections to agency certifications during the quarter.

Health Care Reconciliations

Employee health care fringe benefits costs are covered by a combination of agency paid and employee-paid premiums. Agencies are required to return a *Certification of Automated Health Care Reconciliations* form to DOA by the close of the month following the month of coverage. This reconciliation annotates differences between health care eligibility records (BES) and health care premium payments collected through payroll deduction.

The following table lists those agencies that were late in submitting their certification or had problems requiring additional adjustments. Such problems may include incomplete or incorrect documents or required IAT's not submitted to DOA. Health care reconciliations for the months of September, October and November were due 10/31/07, 11/30/07 and 12/31/07, respectively.

Schedule of Health Care Reconciliations Received Late

| | <u>Sep</u> | <u>Oct</u> | <u>Nov</u> |
|--|------------|------------|------------|
| Education | | | |
| Gunston Hall | | | X |
| Health and Human Resources | | | |
| Virginia Rehabilitation Center for the Blind and Vision Impaired | | X | |
| Department for the Blind and Vision Impaired | | X | |
| Virginia Department for the Deaf and Hard-of-Hearing | | X | |
| Independent | | | |
| Virginia Workers' Compensation Commission | | X | |



FINANCIAL MANAGEMENT ACTIVITY

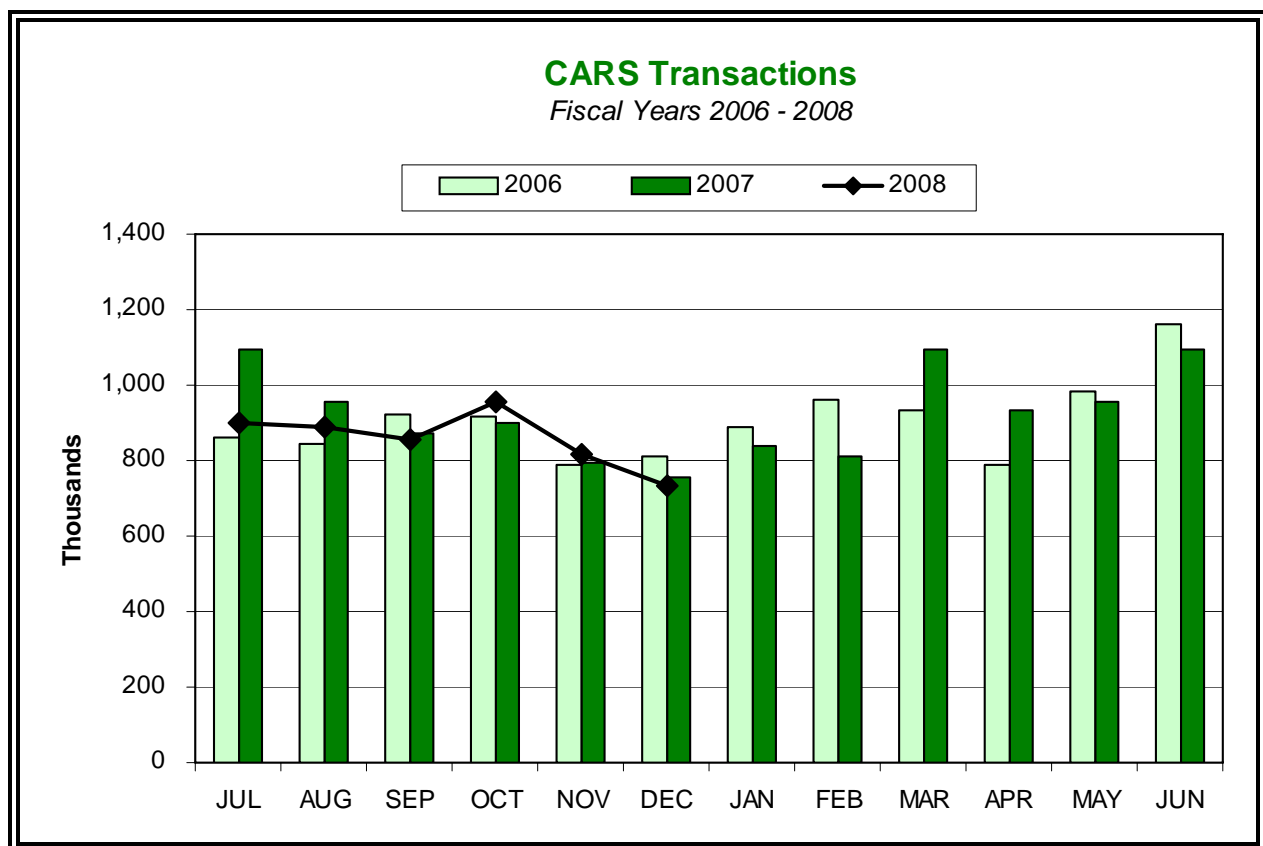
DOA monitors several types of financial activity. Various measures are used to track activities for CARS, payroll, accounts

receivable, indirect cost recoveries, treasury loans, and the Fixed Asset Accounting and Control System (FAACS).

Commonwealth Accounting and Reporting System (CARS)

CARS activity trends provide important information about statewide accounting. Currently, measures are used to track CARS transactions and error counts. A marked

increase or decrease in the number of CARS transactions may indicate that an agency has changed the way it accounts for an activity. Such change may require DOA review.

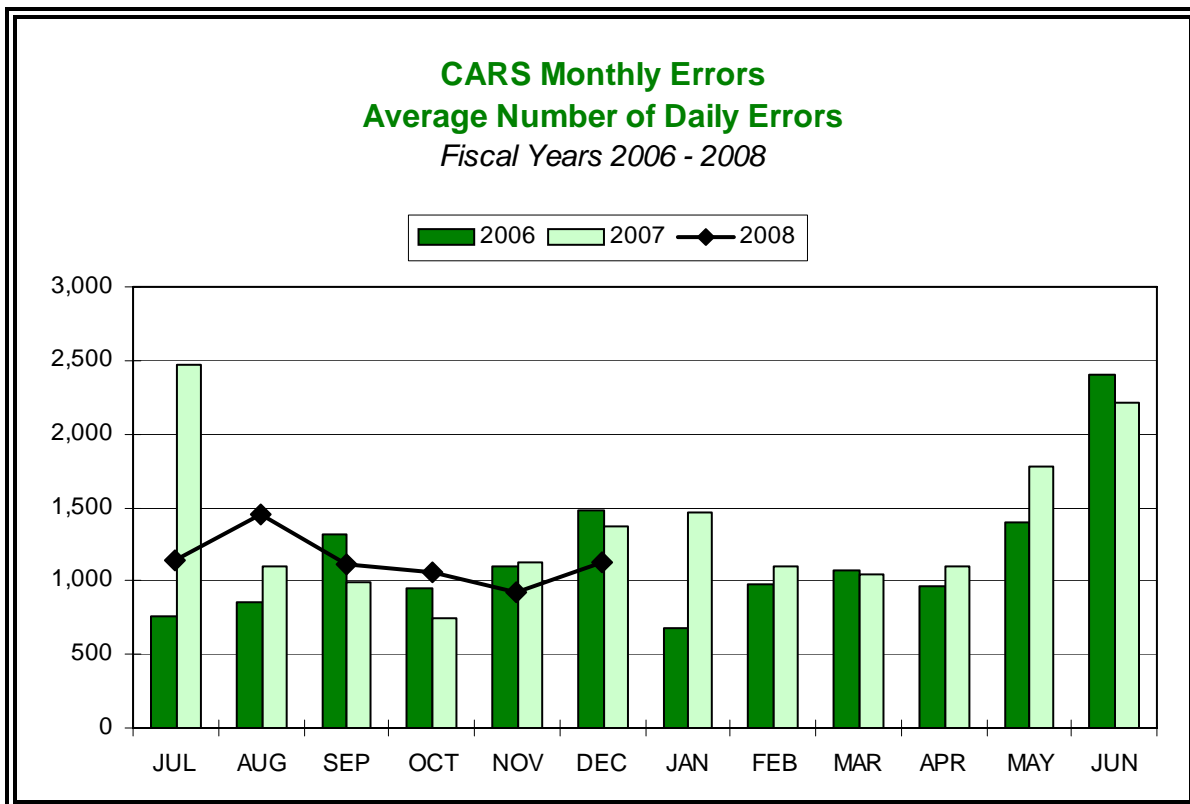


CARS Edits

One of the most important management tools used by DOA is the monitoring of CARS errors generated by standard system edits. Batches remain on the error file until problems are resolved, which, for disbursement transactions, can lead to noncompliance with prompt payment standards and poor vendor relations. During the second quarter of FY 2008, the most frequent reasons cited for transactions processing to the error file were:

- Expenditure Exceeds Allotment
- Available Cash Negative
- Certified Amounts Not Balanced

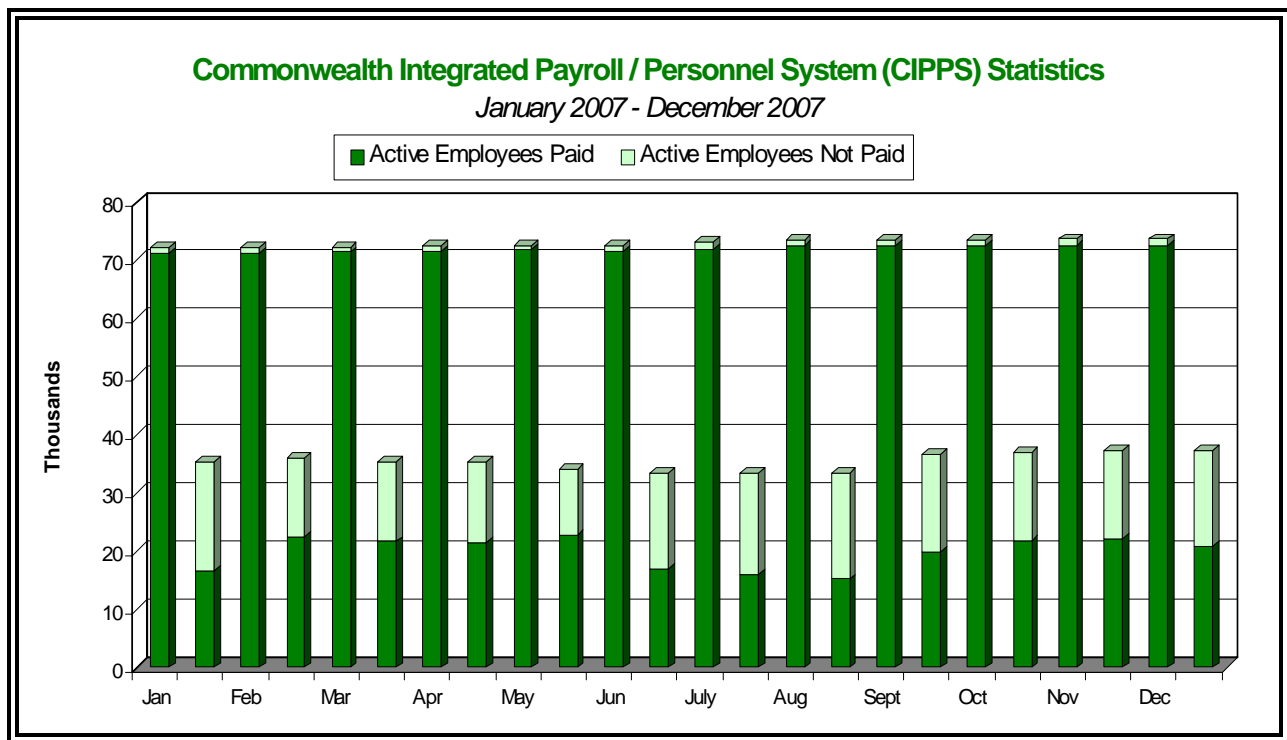
Agencies may avoid funding errors by more closely monitoring cash and allotment balances. Sound agency cash management practices should be developed to ensure transactions are not submitted to CARS when funding is not available. Agencies should develop procedures to ensure certified amounts are calculated properly.



Payroll

The central payroll system for State government is known as *CIPPS*, the Commonwealth Integrated Payroll Personnel System. CIPPS is one of the largest payroll operations in the Commonwealth, serving 110,753 employees. Payroll services are also provided through eight decentralized higher education institutions.

On average, 94,065 employees were paid each month, of which 72,476 are salary employees.



Note: The first bar for each month represents salaried employees, and the next bar represents wage employees. Not all active employees are paid on a current basis. Examples would include employees on extended leave without pay and adjunct faculty not teaching during the current semester.

Statistics do not include employees of eight institutions of higher education that are decentralized for payroll processing.

Benefit Participation by CIPPS Agencies

The Commonwealth offers a variety of benefits to state employees, including health care, optional retirement plans, deferred compensation, and flexible reimbursement

programs. During the quarter, state employees purchased 10,008 savings bonds with a face value of over \$1.3 million.

Benefit Participation Number of Participating Employees

| Benefit | As of 12/31/2007 | Comparative | |
|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | As of 12/31/2006 | As of 12/31/2005 |
| Health Care | | | |
| COVA Care | 84,324 | 82,475 | 82,038 |
| Kaiser | 2,054 | 2,004 | 1,924 |
| Optional Retirement Plans* | | | |
| Fidelity Investments | 571 | 549 | 538 |
| TIAA/CREF | 1,635 | 1,624 | 1,584 |
| Political Appointee - ORP | 95 | 104 | 78 |
| Deferred Compensation* | | | |
| Great West Life | 35,804 | 33,355 | 32,249 |
| Flexible Reimbursement* | | | |
| Dependent Care | 758 | 712 | 661 |
| Medical Care | 7,066 | 5,941 | 5,073 |

* Statistics do not include employees of eight institutions of higher education that are decentralized for payroll processing.



Accounts Receivable

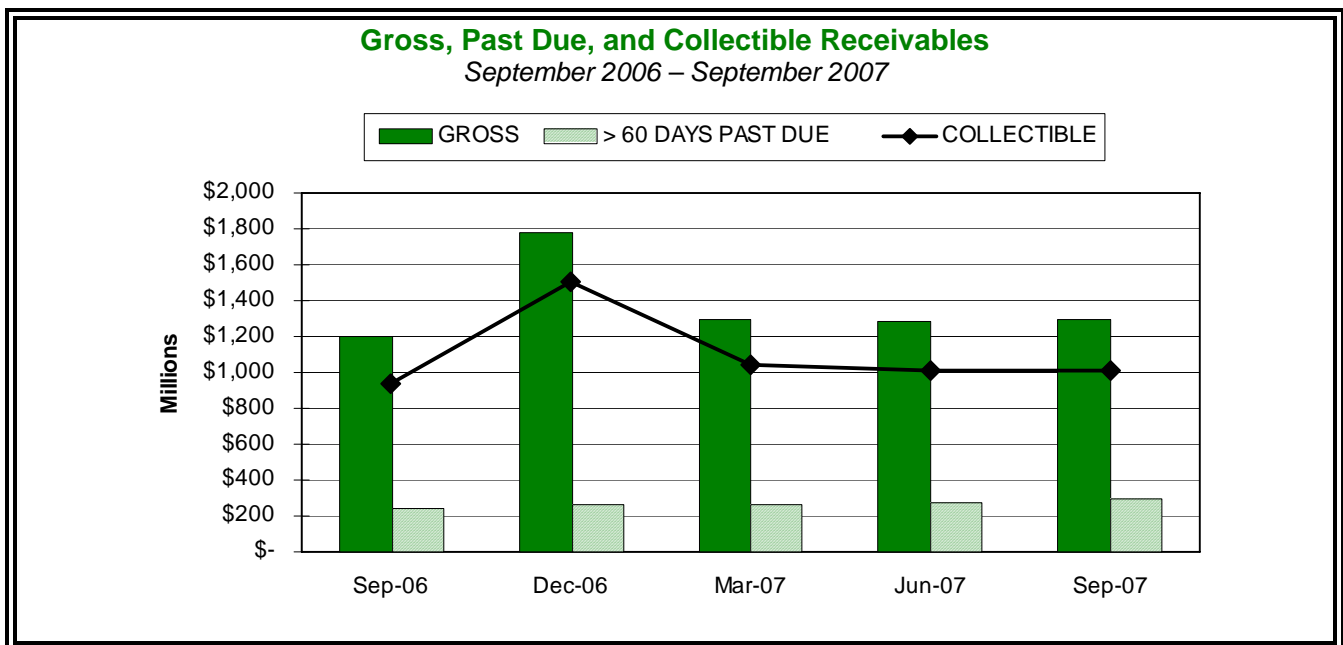
Executive Summary

Chapter 48 of the *Code of Virginia* requires the Department of Accounts, along with the Office of the Attorney General, to oversee, report on, and monitor the Commonwealth's accounts receivable program. In order to carry out this responsibility, DOA has issued policies and procedures on accounting, collecting, reporting, and writing off accounts receivable. In addition, DOA provides technical assistance to agencies and institutions and uses statistical analyses and audit reports to monitor the ongoing effectiveness of agencies in managing their accounts receivable.

In an effort to present more meaningful information, DOA continues to exclude data from the tables (except for the final table on past due receivables) from the Department of Taxation, consisting largely of statutory assessments and non-filers assessments, and the circuit and district courts, which report judgments and fines with extremely low collection statistics.

Commonwealth agencies and institutions reported adjusted gross receivables of \$1.3 billion at September 30, 2007, with \$1.0 billion considered collectible. Receivables over 60 days past due as of September 30, 2007, totaled \$292.4 million. Of that amount, \$15.9 million was placed with private collection agencies, \$18.0 million was placed with the Division of Debt Collection and \$258.5 million was retained in-house for additional collection efforts.

It is important to note that the adjusted state receivables largely consist of unemployment taxes, tuition and fees, and billings for several indigent care programs, which present numerous special challenges in collection. "Trade receivables" typical of the private sector, which are generated by billings for the provision of goods and/or services, make up only a small portion of the state's receivables.



As of September 30, 2007, agencies expected to collect \$1.0 billion (78 percent) of the \$1.3 billion adjusted gross receivables. About 1 percent is due to the General Fund, primarily for benefit recoveries and sales of permits.

The balance, which contains Medicaid penalties that are no longer revertible, is due to several non-general funds.

Collectible Receivables by Fund

Not Including Circuit and District Courts, or the Department of Taxation

As of September 30, 2007

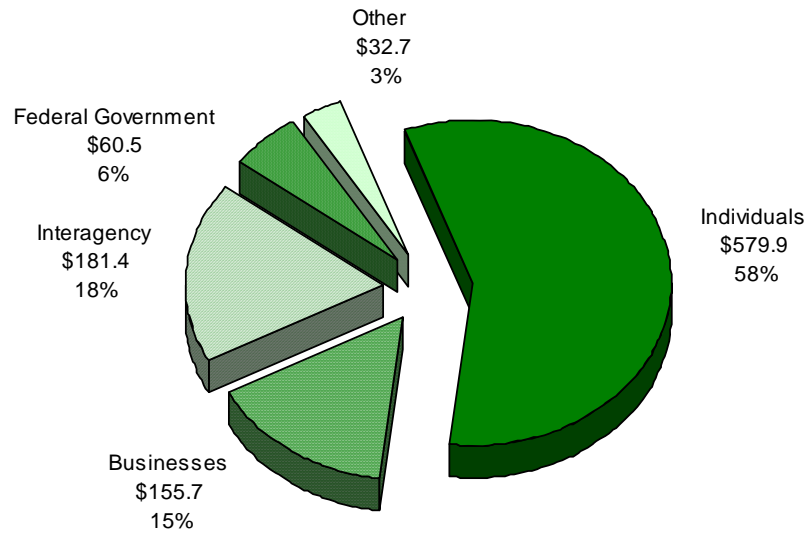
| Fund | Source | Amount | Percent |
|---------------------------------------|--|-------------------------|----------------|
| General Fund 1% | Medicaid - Current Recoveries | \$ 6,392,159 | 43% |
| | Social Services | 3,338,996 | 22% |
| | Labor and Industry Inspections | 1,144,928 | 8% |
| | State Police Permits | 976,764 | 7% |
| | Corrections | 782,380 | 5% |
| | Other | 938,555 | 6% |
| | Subtotal | 13,573,782 | 91% |
| | Interagency Receivables | 1,347,450 | 9% |
| | Total General Fund Collectible | \$ 14,921,232 | 100% |
| Nongeneral Funds 99% | Medicaid - Dedicated Penalty Fees | \$ 25,712,338 | 3% |
| | Medicaid - Federal Reimbursements | 14,179,357 | 1% |
| | Unemployment Taxes | 59,349,079 | 6% |
| | Transportation | 40,182,532 | 4% |
| | Child Support Enforcement | 97,991,257 | 10% |
| | Federal Government | 46,329,836 | 5% |
| | MHMR Patient Services | 26,078,333 | 3% |
| | Hospital | 78,377,559 | 8% |
| | Enterprise | 69,440,099 | 7% |
| | Higher Education | 325,780,055 | 32% |
| | Other | 31,737,202 | 3% |
| | Subtotal | 815,157,647 | 82% |
| | Interagency Receivables | 180,092,038 | 18% |
| | Total Nongeneral Fund Collectible | \$ 995,249,685 | 100% |
| All Funds | Grand Total | \$ 1,010,170,917 | 100% |

Summary of Receivables by Source

Sources of Collectible Receivables by Debtor

(dollars in millions)

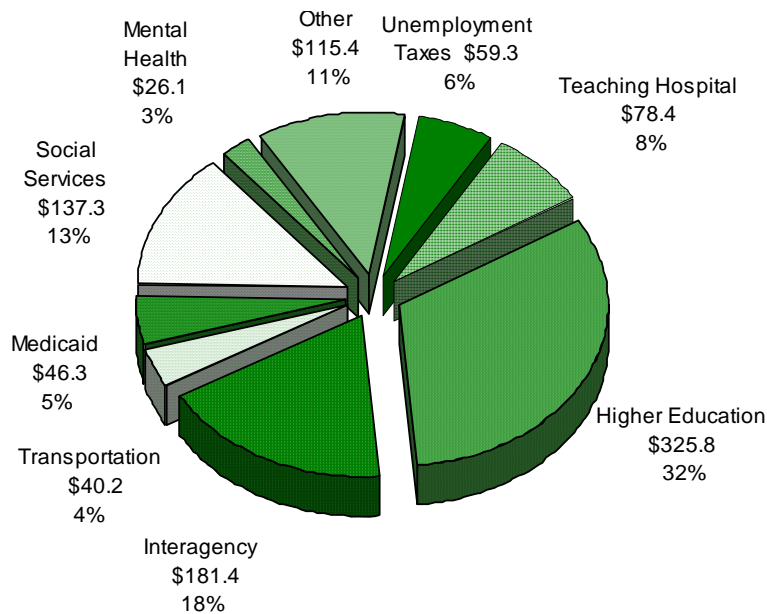
As of September 30, 2007



Sources of Collectible Receivables by Type

(dollars in millions)

As of September 30, 2007



Not counting Taxation and the Courts, 10 agencies account for 75.2 percent of the Commonwealth's adjusted gross and 71.6

percent of the adjusted collectible accounts receivable balances.

Accounts Receivable Summary
Not Including Circuit Courts, District Courts, or Department of Taxation
Quarter Ended September 30, 2007

| Agency | Gross | Allowance for Uncollectible Accounts | Collectible |
|---|-------------------------|---|-------------------------|
| University of Virginia Medical Center | \$ 171,175,807 | \$ 5,941,121 | \$ 165,234,686 |
| Department of Social Services | 316,327,834 | 179,049,714 | 137,278,120 |
| Virginia Polytechnic Institute & State University | 80,387,156 | 1,619,188 | 78,767,968 |
| Virginia Employment Commission | 86,962,400 | 24,718,742 | 62,243,658 |
| Virginia Commonwealth University | 53,149,737 | 2,877,813 | 50,271,924 |
| State Lottery Department | 49,400,444 | - | 49,400,444 |
| Virginia Information Technologies Agency | 48,743,792 | - | 48,743,792 |
| Department of Medical Assistance Services | 79,574,849 | 33,039,430 | 46,535,419 |
| University of Virginia - Academic Division | 42,665,172 | - | 42,665,172 |
| George Mason University | 42,521,358 | 551,832 | 41,969,526 |
| Total | 970,908,549 | 247,797,840 | 723,110,709 |
| All Other Agencies | 319,494,895 | 32,434,687 | 287,060,208 |
| Grand Total | \$ 1,290,403,444 | \$ 280,232,527 | \$ 1,010,170,917 |

In addition to internal administrative collection efforts, agencies have three other collection tools available to them. These are computerized matching and debt setoff programs at the Departments of Taxation, Lottery and Accounts, private collection agencies, and the Attorney General's Division of Debt Collection.

DOA requires state agencies and institutions to use the computerized matching and debt setoff programs for receivables that are 30 days or more past due. DOA also requires the use of private collection agencies on delinquent accounts that are 60 days or more past due that are not sent to the Attorney General's Division of Debt Collection.

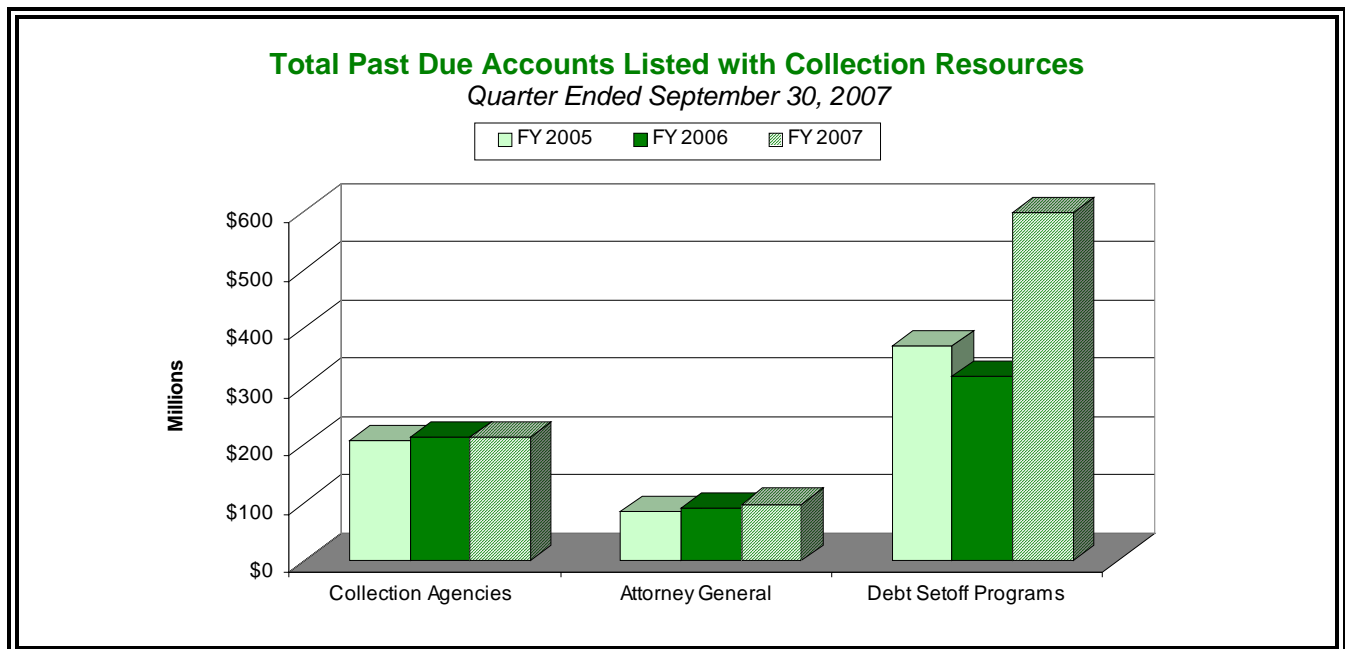
The Office of the Attorney General requires state agencies and institutions to send accounts of \$3,000 or more and 60 days or more past due to the Division of Debt Collection.

These additional collection tools recovered \$5.1 million during the quarter ended September 30, 2007. The Division of Debt Collection contributed \$1.3 million. Private collection agencies collected \$2.6 million, and the debt setoff programs (Tax, Comptroller's and Lottery) collected \$1.2 million.

Collectible Receivables Over 60 Days Past Due
Not Including Circuit Courts, District Courts or the Department of Taxation
As of September 30, 2007

| Agency | Total Over 60 Days | With Collection Agency | With Attorney General | Retained by State Agency |
|--|-----------------------|------------------------------|--------------------------|-----------------------------|
| Department of Social Services | \$ 102,734,339 | \$ - | \$ - | \$ 102,734,339 |
| University of Virginia Medical Center | 43,179,816 | - | - | 43,179,816 |
| Virginia Employment Commission | 33,162,516 | 7,819,479 | 7,149,670 | 18,193,367 |
| Department of Medical Assistance Services | 28,335,021 | 708,173 | 510,493 | 27,116,355 |
| Department of Transportation | 19,843,840 | 954,609 | 3,949,603 | 14,939,628 |
| Department of Mental Health, Mental Retardation & Substance Abuse Services | 9,785,217 | - | - | 9,785,217 |
| Virginia State University | 5,650,947 | - | - | 5,650,947 |
| Virginia Information Technologies Agency | 4,226,666 | - | - | 4,226,666 |
| University of Virginia - Academic Division | 3,697,611 | 621,423 | 44,247 | 3,031,941 |
| Virginia Commonwealth University | 3,386,684 | 504,810 | 8,345 | 2,873,529 |
| TOTAL | \$ 254,002,657 | \$ 10,608,494 | \$ 11,662,358 | \$ 231,731,805 |
| All Other Agencies | 38,428,304 | 5,299,573 | 6,342,498 | 26,786,233 |
| TOTAL OVER 60 DAYS | \$ 292,430,961 | \$ 15,908,067 | \$ 18,004,856 | \$ 258,518,038 |
| Uncollectable Amounts Placed for Collection, Including Accounts Written Off | 612,606,771 | 195,087,527 | 79,075,889 | 338,443,355 |
| TOTAL COLLECTION EFFORTS | \$ 905,037,732 | \$ 210,995,594 | \$ 97,080,745 | \$ 596,961,393 |

Note: The additional amounts retained by agencies are placed for collection with several debt setoff collection programs.



Comptroller's Debt Setoff (CDS) Program

CDS is one of the debt setoff programs used by agencies to collect past due accounts receivable owed to the State, primarily by businesses and individuals acting in a business capacity. Under CDS, a payment made by the State to the debtor may be

withheld, in full or in part, to satisfy the debt owed to the State. CDS collected \$6.8 million through the second quarter of FY 2008. Please note the amount reported is before any refunds.

Receivable Trend Data

One way to measure an agency's effectiveness at collecting its accounts receivable is to look at how efficient collection procedures are on accounts that are more than 60 days past due. The following

table looks at trend percentages of receivables over 60 days past due as a percentage of gross receivables for the agencies with the largest amounts over 60 days past due.

Percentage of Gross Receivables Over 60 Days Past Due

| Agency | Percent at 9/30/07 | Comparative | |
|---|-------------------------------|-------------------------------|-------------------------------|
| | | Percent at 6/30/07 | Percent at 3/31/07 |
| Department of Social Services | 32% | 34% | 32% |
| University of Virginia Medical Center | 25% | 29% | 19% |
| Virginia Employment Commission | 38% | 30% | 11% |
| Department of Medical Assistance Services | 36% | 32% | 33% |
| Department of Transportation | 52% | 13% | 60% |
| Department of Mental Health, Mental Retardation & Substance Abuse Services | 23% | 16% | 20% |
| Virginia State University | 46% | 3% | 32% |
| Virginia Information Technologies Agency | 9% | 7% | 2% |
| University of Virginia - Academic Division | 9% | 15% | 16% |
| Virginia Commonwealth University | 6% | 11% | 16% |
| Statewide Average - All Agencies | 23% | 21% | 20% |

Another way to measure agency debt collection effectiveness is to compare amounts collected to amounts billed. The table below presents trend percentages for the ten agencies with the highest collectible accounts receivable balances. In total, these ten agencies are responsible for 71.6 percent of the Commonwealth's collectible receivables balances, as adjusted to exclude the Department of Taxation and the circuit and district courts. Percentages over 100 percent indicate the collection of prior balances as well as current billings.

In evaluating these percentages it is important to understand that the percentages may fluctuate based on how the different agencies conduct their business and the cycles that those businesses typically follow.

The statewide average of 87 percent indicates that for every \$1 billed during the quarter ended September 30, 2007, the state collected 87 cents. This rate is two percent less than last year, and the same as the September 30, 2005 quarter.

Collections as a Percentage of Billings

| Agency | Percent at 9/30/07 | Comparative | |
|---|-----------------------|-----------------------|-----------------------|
| | | Percent at 9/30/06 | Percent at 9/30/05 |
| University of Virginia Medical Center | 43% | 33% | 37% |
| Department of Social Services | 82% | 100% | 87% |
| Virginia Polytechnic Institute & State University | 87% | 89% | 85% |
| Virginia Employment Commission | 118% | 123% | 118% |
| Virginia Commonwealth University | 84% | 88% | 88% |
| State Lottery Department | 103% | 97% | 101% |
| Virginia Information Technologies Agency | 79% | 97% | 102% |
| Department of Medical Assistance Services | 50% | 41% | 31% |
| University of Virginia - Academic Division | 96% | 95% | 95% |
| George Mason University | 81% | 80% | 82% |
| Statewide Average - All Agencies | 87% | 89% | 87% |

Commonwealth Receivables Analysis

The following individual accounts receivable narratives describe agency collection programs and related trend information:

Department of Medical Assistance Services (DMAS)

DMAS is responsible for overseeing service delivery to eligible recipients and reviewing and auditing the providers of a variety of federally and State funded health care programs. These programs include Medicaid, Family Access to Medical Insurance Security (FAMIS), and State and Local Hospitalization (SLH) programs.

DMAS' collectible accounts receivable of \$46.5 million at September 30, 2007, is a \$3.0 million increase over the \$43.5 million reported at September 30, 2006. Over the same period, total past due receivables have remained unchanged at \$32.3 million.

University of Virginia Medical Center (UVAH)

UVAH provides primary and specialty health care for Central Virginia by operating a 500 bed hospital, a School of Medicine and over twenty research centers. The majority of its receivables consist of Medicaid and Medicare reimbursements and payments from third party insurers.

UVAH collectible receivables of \$165.2 million at September 30, 2007, were a \$21.0 million decrease from the \$186.2 million reported the previous year. Past due receivables increased by \$20.0 million to \$108.2 million at September 30, 2007.

Virginia Employment Commission (VEC)

VEC is responsible for paying unemployment insurance benefits to workers who have become unemployed. VEC also provides employment assistance for job seekers and analyzes and reports on a variety of labor market information.

VEC collectible receivables were \$62.2 million at September 30, 2007, a decrease of \$12.6 million from the previous year. Total past due receivables were \$37.2 million, a \$3.7 million decrease from last year. VEC collects employer tax receivables in-house. The Attorney General's Office is involved in contested cases. Unemployment benefit overpayments to individuals are referred to private collections agencies after in-house efforts have produced no results and when debtors have left the state.

Virginia Information Technologies Agency (VITA)

VITA is the state's central information technologies provider. VITA operates the information technology infrastructure for much of State government, providing both hardware and services. VITA also procures hardware and software for agencies and institutions of higher education.

VITA reported collectible receivables at September 30, 2007, of \$48.7 million, an \$11.0 million increase from the previous year's \$37.7 million. Most of these dollars are owed by other state agencies. As of September 30, 2007, \$4.2 million was over 60 days past due, compared to \$3.8 million the previous year.

State Lottery Department (SLD)

The State Lottery Department is an independent agency which is responsible for operating the State's on-line lottery and scratch-off games and actively participates in two multi-state games, Mega Millions and Win for Life. Retail merchants who sell the Virginia Lottery games are covered by surety bonds and deposit Lottery receipts into bank accounts approved by the State Treasurer.

At September 30, 2007, the Virginia Lottery reported net receivables of \$49.4 million, a \$4.1 million increase from the previous year's net of \$45.3 million. Billings increased by \$18.8 million and collections increased by \$27.8 million during the September 30, 2007 quarter when compared to the September 30, 2006 quarter. At September 30, 2007, the Virginia Lottery had \$374,296 that was over 60 days past due. The total amount is covered by surety bond and involves approximately 20 retailers.

Department of Education (DOE)

Education acts as the pass-through agency for state and federal education funds and determines the allocation of funds to local school divisions under the Direct Aid to Public Education Program. Localities file expenditure reimbursement requests with the Department who then reviews the claims for accuracy and correctness. Eligible expenditures under federal grants are paid by DOE, which then draws down the money from the U. S. Department of Education.

At September 30, 2007, DOE had no accounts receivable due from the Federal government under Direct Aid To Public Education. This is the same as the prior year.

Virginia Polytechnic Institute and State University (VPISU)

VPISU is one of the Commonwealth's largest universities and one of two land grant institutions in the state. At September 30, 2007, the University reported net collectible receivables of \$78.8 million, an \$11.0 million increase over the prior year. At the same time, past due receivables increased by \$2.0 million from last year.

The University uses a variety of collection methods to encourage payments. At September 30, 2007, VPISU had \$2.6 million of accounts over 60 days past due. \$59,263 of that was placed with the Attorney General's Division of Debt Collection, another \$767,346 placed with private collection agencies and \$2.2 million listed with Taxation's Debt Setoff Programs and additional in-house efforts.

Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS)

DMHMRSAS operates 16 facilities around the State to treat patients. These facilities account for nearly all of the department's receivables, consisting primarily of fees due for patient care. DMHMRSAS bills third party insurers and patient assistance programs such as Medicare and Medicaid whenever they are available. In other cases, the Department looks to responsible family members and tangible real and personal property for payment. When property is located, liens are filed in the local courts so that when estates are liquidated, DMHMRSAS can recover some of the costs involved in a patient's care.

At September 30, 2007, the Department reported net receivables of \$26.1 million, a \$3.4 million decrease from the previous year. \$16.3 million was past due, with \$9.8 million being over 60 days past due. Total past due receivables decreased by \$4.5 million over the year, and accounts over 60 days past due decreased by \$1.4 million. At September 30, 2007, the Department had a total of \$7.3 million of accounts placed with the Attorney General and \$1.2 million listed in Taxation's Debt Setoff Programs.

Department of Transportation (VDOT)

Depending upon how a particular road construction project is funded, VDOT receives payments from a variety of sources. These include the federal government, local government units, and for damage repairs, responsible parties or their insurers. The majority of VDOT receivables stem from these sources.

At September 30, 2007, VDOT reported \$36.5 million of collectible receivables, an increase of \$11.8 million from the prior year. VDOT also reported \$21.9 million total past due and \$19.8 million being over 60 days past due. Past due receivables increased by \$4.6 million over the year, while receivables over 60 days past due increased by \$5.2 million. VDOT reports that the large majority of the accounts over 60 days past due continue to be amounts owed by cities, counties and towns that are participating on long-term construction projects with the department and where the local fund shares are provided by local debt financing.

VDOT reported placing \$3.9 million of their accounts over 60 days past due with the Attorney General's Division of Debt Collection, and \$954,609 million with private collection agencies.

Department of Social Services (DSS)

Social Services provide financial assistance to eligible individuals and families through 121 local departments of social services. The assistance programs include the Temporary Assistance for Needy Families (TANF), Medicaid, Food Stamps, and Community Services Block Grants. In addition to the assistance programs, DSS is the federally-mandated state agency to provide child support enforcement assistance. Child support paid for children receiving money from an assistance program is required to be paid to the federal and state funds which provide the assistance. Overpayments of assistance benefits from ineligible participants must also be repaid to the originating funds. Receivables due from the Federal government usually are the Federal share of assistance payments and allowable cost recoveries made through the local offices during the preceding month.

At September 30, 2007, DSS reported gross receivables of \$316.3 million, an allowance for doubtful accounts of \$179.0 million and collectible receivables of \$137.3 million. Past due receivables totaled \$104.6 million, of which \$102.7 million was over 60 days past due.

Of these amounts, the Division of Child Support Enforcement (DCSE) was responsible for \$256.5 million (81 percent) of the gross receivables, \$158.5 million (89 percent) of the allowance for doubtful accounts and \$98.0 million (71 percent) of the collectible receivables.

From September 30, 2006, to September 30, 2007, gross receivables increased \$61.7 million and collectible receivables increased by \$31.4 million. Total past due receivables increased by \$18.4 million and receivables over 60 days past due increased by \$18.0 million.

Department of Rail and Public Transportation (DRPT)

DRPT is responsible for overseeing Virginia's railroads, providing funding and project resources for public transportation, and researching feasible alternatives for commuters. DRPT works closely with VDOT, the railroads, local governments, the Washington Metropolitan Area Transit Authority, and the Federal Transit Authority.

At September 30, 2007, DRPT had gross and net receivables of \$4.2 million. The majority of this money is due via an interagency transfer from VDOT. \$1.8 million was past due at September 30, 2007. Of this amount, \$527,640 was over 60 days past due.

Virginia Commonwealth University (VCU)

VCU, based in Richmond, offers 140 degree programs to over 28,500 students in a variety of fields ranging from accounting to pharmacy at both undergraduate and graduate levels.

At September 30, 2007, VCU had \$50.3 million of collectible receivables, a \$12.8 million increase over September 30, 2006. Total past due accounts were \$5.5 million, a \$110,950 decrease over September 30, 2006. Accounts over 60 days past due (\$3.4 million) decreased by \$76,747 over the prior year. Billings increased by \$29.9 million to \$181.3 million and collections increased by \$17.9 million to \$151.4 million for the September 30, 2007, quarter as compared to the September 30, 2006, quarter.

The following table is prepared to present the September 30, 2007, aging information in conformity with the provisions of Section 2.2-603.E.(ii) of the *Code of Virginia*.

Taxation and the Circuit and District Courts accounted for 79 percent (\$1.78 billion) of the

Commonwealth's total \$2.26 billion past due accounts receivable at September 30, 2007. Another eighteen agencies accounted for 19 percent (\$442.7 million), leaving 70 other agencies to comprise the last two percent at \$40.8 million.

Agencies with the Largest Volume of Past Due Receivables

As of September 30, 2007

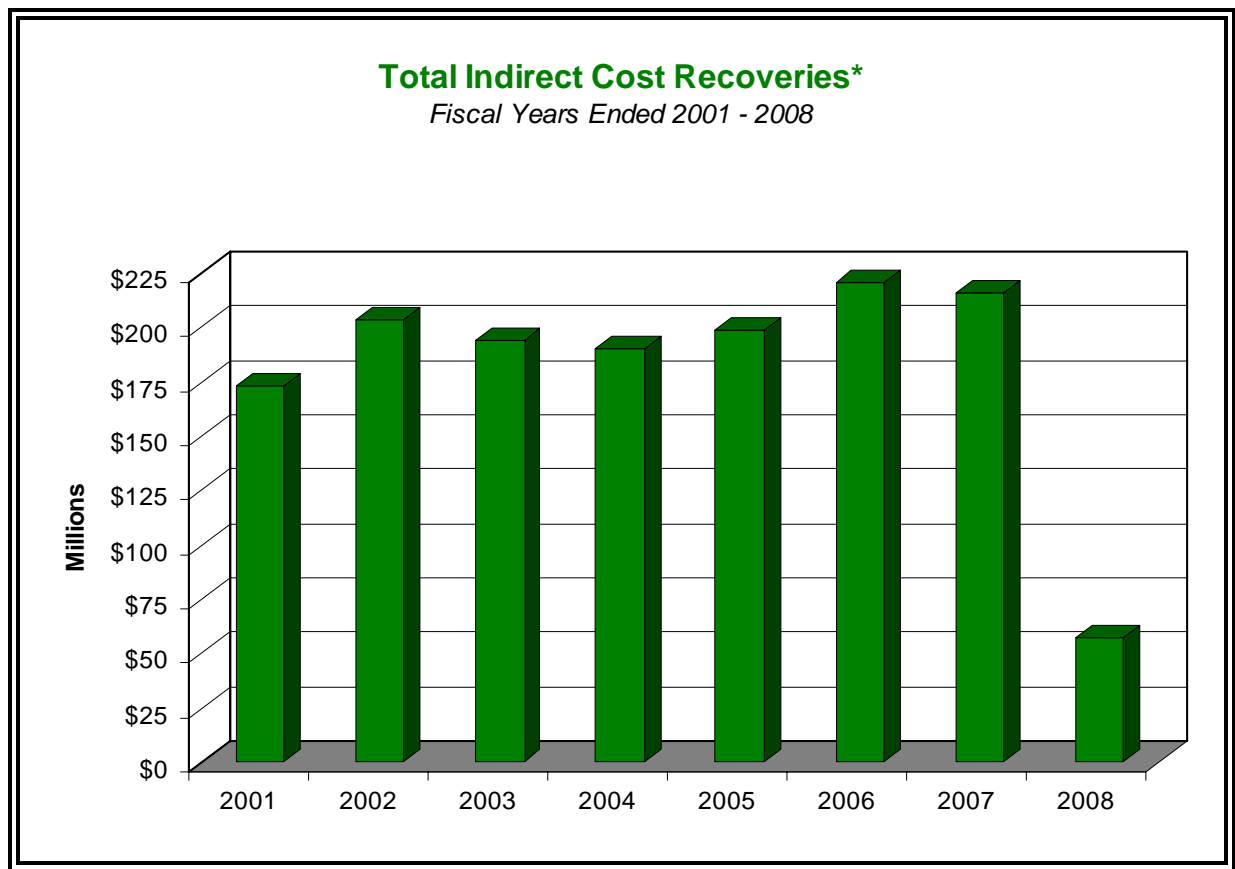
| Agency | Total Past Due | 1 to 180 Days Past Due | 181 to 360 Days Past Due | Over One Year |
|--|-------------------------|---------------------------|-----------------------------|-------------------------|
| Department of Taxation | \$ 1,303,422,079 | \$ 230,973,431 | \$ 94,346,434 | \$ 978,102,214 |
| Localities' Circuit and District Courts | 473,692,508 | 38,056,252 | 62,059,527 | 373,576,729 |
| Total - Taxation Assessments and Court Fines and Fees | 1,777,114,587 | 269,029,683 | 156,405,961 | 1,351,678,943 |
| All Other Large Dollar Agencies: | | | | |
| University of Virginia Medical Center | 108,216,521 | 97,250,606 | 9,042,446 | 1,923,469 |
| Department of Social Services | 104,553,571 | 5,321,776 | 5,290,411 | 93,941,384 |
| Virginia Employment Commission | 37,157,688 | 9,338,564 | 5,777,533 | 22,041,591 |
| Department of Medical Assistance Services | 32,318,404 | 11,272,584 | 8,205,073 | 12,840,747 |
| Virginia Information Technologies Agency | 20,075,132 | 19,203,035 | 600,222 | 271,875 |
| University of Virginia - Academic Division | 17,939,641 | 16,531,750 | 913,272 | 494,619 |
| George Mason University | 16,824,602 | 15,838,638 | 516,130 | 469,834 |
| Department of Mental Health, Mental Retardation & Substance Abuse Services | 16,315,947 | 14,378,994 | 1,936,953 | - |
| Virginia Polytechnic Institute & State University | 13,165,861 | 11,544,602 | 931,360 | 689,899 |
| Virginia State University | 9,181,730 | 9,110,977 | 61,397 | 9,356 |
| Department of General Services | 8,295,533 | 8,295,533 | - | - |
| Department of Transportation | 21,878,337 | 8,521,296 | 2,620,030 | 10,737,011 |
| James Madison University | 7,495,983 | 7,096,873 | 163,574 | 235,536 |
| Norfolk State University | 7,438,047 | 7,314,651 | 76,267 | 47,129 |
| Old Dominion University | 6,397,847 | 6,293,280 | 69,233 | 35,334 |
| Virginia Commonwealth University | 5,457,357 | 3,267,356 | 1,123,563 | 1,066,438 |
| University of Mary Washington | 5,186,786 | 4,871,025 | 88,604 | 227,157 |
| Virginia Community College System | 4,760,693 | 3,784,676 | 564,166 | 411,851 |
| Total - Largest Dollar Volume Agencies | 442,659,680 | 259,236,216 | 37,980,234 | 145,443,230 |
| All Other Agencies | 40,844,016 | 22,874,844 | 4,607,766 | 13,361,406 |
| Grand Total Past Due Receivables | \$ 2,260,618,283 | \$ 551,140,743 | \$ 198,993,961 | \$ 1,510,483,579 |



Indirect Costs

The Department of Accounts prepares a Federal Statewide Indirect Cost Allocation Plan (SICAP) annually that identifies the central service agency General Fund support provided to all State agencies. Agencies receiving Federal grants or contracts prepare indirect cost rate proposals or cost allocation plans that include both the agency (agency

specific overhead expenditures) and Statewide (overhead expenditures incurred by the State's central service agencies for support provided to other State agencies) indirect costs associated with the administration and management of federal, State, or private grant and contract activity.



* FY 2008 reflects indirect cost recoveries through December 31, 2007.

Indirect Cost Recoveries from Grants and Contracts

Fiscal Year 2008

| Fund | Year-to-Date | | Total |
|----------------------------|----------------------|----------------------|----------------------|
| | Higher Ed | Non-Higher Ed | |
| Nongeneral: | | | |
| Agency / Institution (1) | \$ 22,411,239 | \$ 34,041,009 | \$ 56,452,248 |
| Statewide | 48,413 | 340,101 | 388,514 |
| Total Nongeneral | 22,459,652 | 34,381,110 | 56,840,762 |
| General: | | | |
| Agency (Cash Transfers) | - | 82,211 | 82,211 |
| Statewide | - | 304,063 | 304,063 |
| Statewide (Cash Transfers) | - | 6,330 | 6,330 |
| Total General | - | 392,604 | 392,604 |
| Total All Funds | \$ 22,459,652 | \$ 34,773,714 | \$ 57,233,366 |

- (1) The Department of Social Services records all federal monies received in CARS. However, they do not separately classify such receipts between direct and indirect. Included in the agency nongeneral fund category is \$23,419,808 representing the Department of Social Services' estimate of indirect cost recoveries received.



Loans and Advances

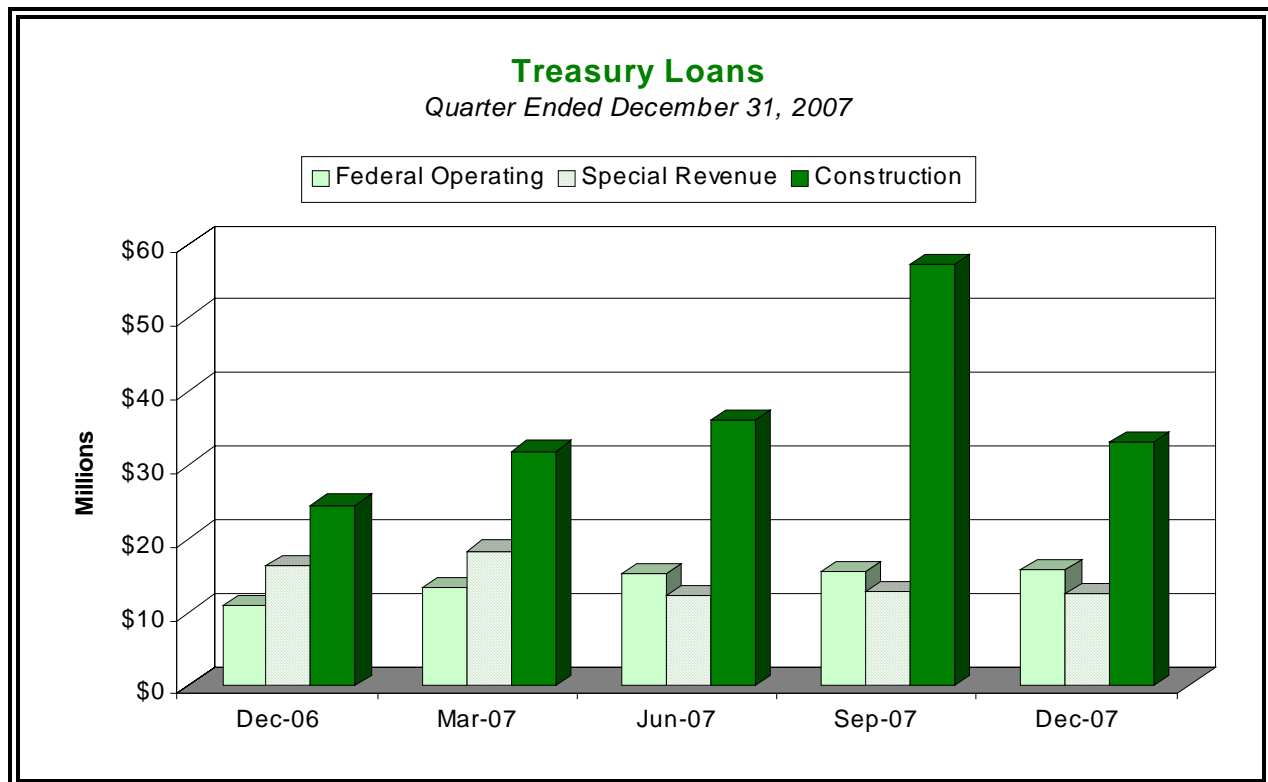
Treasury loans may be used to advance funds to a State agency or institution for a designated purpose prior to some form of reimbursement, typically federal or special revenues. They are loans of a temporary nature, approved on the basis of the following conditions:

- **Anticipation of Federal Operating Funds** supports the operations of federal grants and contract programs for which advance funding has been delayed or for those that require expenditure of funds prior to federal reimbursement.

- **Anticipation of Special Revenue Funds** supports the operations of non-general funded activities when collections are spread unevenly throughout the year while expenses require steady funding.

- **Construction** supports capital projects in anticipation of the sale of authorized debt or other financing for such projects.

The total of all types of treasury loans as of December 31, 2007, was \$61.5 million.



| Significant New Loans / Drawdowns | New Balance |
|-----------------------------------|-------------|
|-----------------------------------|-------------|

None this quarter.

| Significant Loan Repayments | Prior Balance |
|-----------------------------|---------------|
|-----------------------------|---------------|

Virginia Commonwealth University (VCU)

| | |
|--|--------------|
| Repaid loan used to begin construction of the Monroe Park/MCV Campus Recreation Facilities. Bonds were issued. | \$ 2,440,170 |
|--|--------------|

Department of Veterans Services (DVS)

| | |
|---|--------------|
| Additional payment on an authorized \$14.75 million loan for completion of a new Veterans Care Center in Richmond. New loan balance is \$936,091. | \$ 1,640,506 |
|---|--------------|

Virginia Public Building Authority (VPBA)

| | |
|---|---------------|
| One additional draw (\$5.3 million) and then full repayment of \$26.3 million loan that provided cash for bond funded capital projects as well as reimbursement to local governments and regional jail authorities pending issuance of bonds. | \$ 26,347,699 |
|---|---------------|

Other methods not charted but used to ensure an agency or institution has sufficient operating cash include authorized appropriation deficits, working capital advances, and lines of credit.

- Authorized Appropriation Deficits**, which provide funding, when authorized by the Governor, under emergency conditions as described in §4-3.01 and §4-3.02 of the Appropriation Act. There were no deficit loans outstanding at December 31, 2007.
- Working Capital Advances**, which provide operating funds for nongeneral fund projects when revenues to be used for repayment will not be generated within the twelve months required for anticipation loans. There were no outstanding working capital advances at December 31, 2007.
- Lines of Credit**, which provide funding for recurring shortfalls of operating cash and are authorized in §3-2.03 of the appropriation act. The total of all outstanding lines of credit as of December 31, 2007, was \$20.3 million.



